

SOUTHEAST ASIA

Australia

I. Summary

Australia is a committed partner in international efforts to combat illicit drugs, and gives high priority to drug-related issues, both internationally and domestically. Australia manages the diverse legal, health, social and economic consequences of drug use through comprehensive and consistent policies of demand and supply reduction and circumscribed harm reduction initiatives. Australia is party to the 1988 UN Drug Convention.

II. Status of Country

Australia is primarily a consumer nation for illicit narcotics; however, clandestine laboratories producing methamphetamine and MDMA (Ecstasy) continue to be seized throughout the country. Although, these laboratories are increasing in number and sophistication, it appears that the narcotics produced at these sites are consumed domestically and there is no evidence indicating that narcotics destined for the U.S. are produced in Australia or transit Australia. While domestically produced marijuana remains the most abused drug in Australia, the use of methamphetamine, primarily crystal methamphetamine (crystal meth), and MDMA (Ecstasy) continues to rise. The 2006 UN World Drug Report indicates that Australia has one of the highest rates of MDMA and methamphetamine abuse in the world. Arrests for possession of crystal meth in Australia have risen over 250 percent in the last ten years. Law enforcement and health officials have expressed concern about the dramatic increase in the abuse of crystal meth throughout Australia. In addition to the increased use of crystal meth, cocaine use also appears to be increasing throughout Australia in recent years. The use of cocaine, which previously had been limited to more affluent individuals, appears to be spreading into all segments of society. The use of heroin in Australia has declined significantly since the late 1990's and 2000, but law enforcement and health officials continue to aggressively target heroin traffickers and work to address the issues surrounding the abuse of heroin.

III. Country Actions Against Drugs in 2006

Policy Initiatives. The Australian Government continues to vigorously pursue policies that attempt to both prevent and treat illegal drug use. Launched in 1997, Prime Minister Howard's National Illicit Drug Strategy outlines a program to address drug issues. Australia has committed more than US\$750 million (AU\$1 billion) to the Strategy. (NOTE: Throughout this report, figures are in U.S. dollars, calculated at an exchange rate of A\$1 equals U.S. \$0.75)

Since 2002, following the Australian Government's creation of the Australian Crime Commission, state and federal investigators have increased their cooperation, bolstered their enforcement responses to serious crimes such as drug trafficking, and improved prosecution at the appropriate state or federal level. The Australian government committed an additional \$187.4 million in 2003 to its program to reduce the supply of, and demand for, illicit drugs. The government is supporting private industry's attempt to develop a pseudoephedrine product that cannot be used as a precursor chemical for methamphetamine. There is an ongoing campaign to prevent illegal sales of pseudoephedrine in Australia. In August 2005, the Australian Minister of Justice announced the implementation of the National Strategy to Prevent Diversion of Precursor Chemicals. On January 1, 2006 as part of this strategy, legislation tightening the access to pseudoephedrine on a national level went into effect. The Australian government has committed \$4.1 million to prevent the diversion of legitimate chemicals like pseudoephedrine into the manufacture of illicit drugs. There

is also an on-going initiative involving state jurisdictions to establish a computer system to permit the pharmacists around the country to track the purchases of pseudoephedrine products.

The Australian government continues to implement extensive multi-faceted programs to combat drug trafficking and use in Australia. Throughout 2006, Australian law enforcement officials continued to seize large amounts of MDMA, crystal meth and cocaine smuggled into Australia. These seizures are consistent with the reported increased use of these drugs throughout the country. Law enforcement officials continue to report increases in the seizures of clandestine laboratories producing methamphetamine and MDMA. Many of these laboratories are more sophisticated and have greater production capacity than the laboratories seized in the past. In order to circumvent Australian governmental efforts to control the availability of the precursor chemical pseudoephedrine, criminal organizations continue to attempt bulk importations of the chemical into Australia. In June 2006, a multi-agency investigation involving law enforcement agencies from Australia and Indonesia led to the dismantlement of a syndicate that had allegedly smuggled more than 380 kg of pseudoephedrine into Australia. In 2006, Australian law enforcement officials made three significant seizures of illicit narcotics smuggled into the country from Canada. These seizures included approximately 46 kg of crystal meth secreted in the hull of a boat, approximately 350 kg of MDMA secreted in barrels containing ink toner and approximately 135 kg of cocaine and 33 kg of MDMA secreted within computer monitors.

Law Enforcement Efforts. Australian law enforcement agencies continued their aggressive counternarcotics and anti-money laundering efforts in 2006. Responsibility for these activities is divided primarily between the Australian Federal Police (AFP), the Australian Customs Service (ACS), the Australian Crime Commission (ACC) and the Therapeutic Goods Administration (TGA), along with state/territorial police services throughout the country. In 2006, the AFP received funding to increase its international deployment group from 570 to over 1000 individuals. Some of these individuals will be used to increase the AFP Overseas Liaison Network in order to better focus on transnational crime, including drug trafficking, terrorist activities and immigrant smuggling. The AFP currently maintains more than 86 officers in 26 countries to assist in narcotics investigation. AFP Liaison Officers, particularly those in the Pacific Islands and throughout Asia, also assist local law enforcement agencies in training and institution building. The AFP and other Australian law enforcement agencies continue to have close working relationships with U.S. agencies including the DEA, the FBI and BICE.

Corruption. The Australian Government and state/territorial governments remain vigilant in their efforts to prevent narcotics-related corruption. There is no indication of any senior official of the government facilitating the production or distribution of illicit drugs or aiding in the laundering of proceeds from such activities. Although some state police officers have been investigated and convicted for drug-related corruption, including several members of the Victoria Police Drug Squad, corruption is not common or widespread.

Agreements and Treaties. The U.S. and Australia cooperate extensively in law enforcement matters, including drug prevention and prosecution, under a bilateral mutual legal assistance treaty and an extradition treaty. The USG has a Customs Mutual Assistance Agreement (CMAA) with Australia. Australia is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention as amended by its 1972 Protocol. Australia is a party to the UN Convention against Transnational Organized Crime and its protocols against migrant smuggling and trafficking in persons. Australia also is a party to the UN Corruption Convention.

Cultivation/Production. Cannabis is the only significant illicit drug cultivated in Australia. The use of hydroponics growth sites has been increasing throughout the country in recent years with well-organized syndicates operating multiple growth sites. The cannabis grown in Australia is

primarily destined for the domestic market and there is no evidence that Australian marijuana reaches the U.S. in any significant quantity. Australia has a well-established and controlled licit opium crop (13,000 hectares) on Tasmania. Although recent significant seizures of foreign produced methamphetamine have revealed a change in trafficking patterns, a large amount of the amphetamine and methamphetamine consumed in Australia is produced in domestic clandestine laboratories. As previously mentioned, many of these laboratories are more sophisticated and possess greater production capacity than laboratories seized in the past.

Drug Flow/Transit. Asian organized crime groups continue to be the primary suppliers of heroin into Australia, and also are heavily involved in the trafficking of crystal meth into Australia. This is consistent with regional trends in which many drug trafficking organizations are moving away from crop-based drugs, such as heroin, into the large-scale production and distribution of synthetic drugs, such as MDMA and crystal meth. MDMA consumed in Australia is primarily produced in Europe, but there have been significant seizures, which originated in Asia and Canada. It should be noted that many of the clandestine laboratories producing MDMA seized in Australia are very sophisticated and possess the capacity for large-scale production of MDMA. South American cocaine trafficking organizations continue to target Australia utilizing a variety of means to smuggle cocaine into the country — from personal couriers to cocaine secreted within legitimate cargo shipments. African based trafficking organizations are also involved in the smuggling of cocaine into Australia. Couriers attempting to smuggle cocaine, heroin, MDMA and crystal meth into Australia are intercepted at the international airports on a regular basis.

Domestic Programs. The Federal Government has continued to pursue an aggressive policy to prevent and treat drug use. The Prime Minister's National Illicit Drug Campaign committed the equivalent of \$4 million to drug prevention programs in schools and \$40 million for compulsory education and a treatment system for drug offenders. Under Australian law, the federal government has responsibility for national health and crime issues, while the states and territories have responsibility for the delivery of health and welfare services. The Ministerial Council on Drug Strategy brings together federal, state and territory ministers responsible for health and law enforcement to determine national policies and programs to reduce the harm caused by drugs in Australia. Although the Federal Government opposes supervised heroin injecting rooms, the legal authority to provide injecting rooms rests with the health and law enforcement agencies in the states and territories. In May 2001, the State of New South Wales passed legislation to permit the licensing and operation of an injecting center, which provides for medically supervised heroin injections, for a trial period of 18 months. This trial period has been extended to October 2007. The Australian Capital Territory has passed similar legislation but has not opened an injection center.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. U.S. counternarcotics activities in Australia feature strong ongoing U.S.-Australian collaboration in investigating, disrupting, and dismantling international illicit drug trafficking organizations. The U.S. and Australia have a Memorandum of Understanding in place, which outlines these objectives. U.S. and Australian law enforcement agencies, also, have agreements in place concerning the conduct of bilateral investigations and the open exchange of intelligence information concerning narcotics trafficking organizations.

The Road Ahead. Australia shows no sign of lessening its commitment to the international fight against drug trafficking. Australian counternarcotics efforts throughout Asia and the Pacific Islands continue to be extremely robust. The U.S. can expect continuing strong bilateral relations with Australia on counternarcotics issues. The two countries will continue to work closely in support of the UN Drug and Crime Program and other multi-lateral fora.

Burma

I. Summary

Burma continued to cut opium poppy cultivation this year, but remains vulnerable to periodic spikes in opium production. Burma's reduction in opium cultivation has been accompanied by significant increases in the production and trafficking of synthetic drugs. While Burma remains the second largest opium poppy grower in the world after Afghanistan, its share of world opium poppy cultivation has fallen from 63 percent in 1998 to 11 percent in 2006. This large proportional decrease is due to a significant decrease of opium poppy cultivation in Burma and a large increase in cultivation in Afghanistan. Aided by Burma's decline, the Golden Triangle region in Southeast Asia no longer reigns as the world's largest opium poppy cultivating region. Its share of the world opium cultivation fell from 66 percent in 1998 to only 12 percent in 2006.

Over a longer time horizon of the last eight years, Burma's opium cultivation has declined dramatically. The UN Office on Drugs and Crime (UNODC) estimates a decrease from 130,000 hectares in 1998 to 21,000 hectares in 2006, an 83 percent decrease. Cultivation during the past year dropped from 40,000 hectares to 21,000 hectares. The most significant decline was observed in the Wa region following the United Wa State Army's (UWSA) pledge to end opium poppy cultivation in its primary territory, UWSA Region 2. UWSA controlled territory accounted for over 30 percent of the acreage of national opium poppy cultivation in 2005, but almost no poppy cultivation was reported in the Wa region in 2006.

The trend of continuing decline in opium poppy cultivation is welcome, but it also points to new challenges. Burma has not provided most opium farmers with access to alternative development opportunities. Furthermore, some opium farmers may be tempted to increase production to take advantage of higher prices generated by opium's relative scarcity, and continuing strong demand. Increased yields in remaining poppy fields (particularly in Southern Shan State) may partially offset the effects of decreased cultivation. Favorable weather conditions in 2006 and improved cultivation practices contributed to higher yields. Higher yields in some areas may also signal more sophisticated criminal activity, greater cross border networking, and the transfer of new and improved cultivation techniques.

Burma's declining poppy cultivation has been accompanied by a sharp increase in production and export of synthetic drugs, threatening to turn the Golden Triangle into an "Ice Triangle." Burma plays a leading role in the regional traffic of amphetamine-type stimulants (ATS). Drug gangs based in the Burma-China and Burma-Thailand border areas, many of whose members are ethnic Chinese, produce several hundred million methamphetamine tablets annually for markets in Thailand, China, and India as well as for onward distribution. There are also indications that groups in Burma increased production and trafficking of crystal methamphetamine or "Ice" — a higher purity and more potent form of methamphetamine than the tablets.

In addition to information-sharing and regular cooperation with the U.S. Drug Enforcement Administration (DEA) and Australian Federal Police (AFP) on narcotics investigations, the Government of Burma (GOB) has increased its law enforcement cooperation with Thai, Chinese and Indian counternarcotics authorities, especially through renditions, deportations, and extraditions of suspected drug traffickers.

During the 2006 drug certification process, the U.S. determined that Burma was one of only two countries in the world (the other being Venezuela) that had "failed demonstrably" to meet international counternarcotics obligations. Major concerns include: unsatisfactory efforts by Burma to deal with the burgeoning ATS production and trafficking problem; failure to take action to bring members of the United Wa State Army (UWSA) to justice following the unsealing of a

U.S. indictment against them in January 2005; failure to investigate and prosecute senior military officials for drug-related corruption; and failure to expand demand-reduction, prevention and drug-treatment programs to reduce drug-use and control the spread of HIV/AIDS. Burma is a party to 1988 UN Drug Convention.

II. Status of Country

Burma is the world's second largest producer of illicit opium. Eradication efforts and enforcement of poppy-free zones combined to reduce cultivation levels between 1998-2006, especially in Wa territory. However, a small resurgence of cultivation occurred in 2006, particularly in eastern and southern Shan State, where improved weather conditions and new cultivation practices increased opium production levels, leading to a slight overall increase in cultivation and production in Burma.

According to the UNODC, opium prices in the Golden Triangle have increased over the past years. Burmese village-level opium prices or *farm-gate* prices have increased from \$153 per kg in 2004 to \$187 in 2005 and \$230 in 2006. In Burma, opium sales contribute about half of the annual household cash income of farmers who cultivate opium, which they use to cover food shortages. Forty-three percent of the average yearly income (\$437) of opium cultivating households was derived from opium sales in 2006. In 2006, the UNODC opium yield survey estimated there were approximately 21,000 hectares planted with opium poppies. In 2005 the U.S. estimated opium production in Burma at approximately 380 metric tons, a 14 percent increase over 2004. The UNODC's opium yield survey, using a different methodology, concluded that cultivation had actually declined 26 percent and production had declined 19 percent. Nonetheless, both surveys estimated a 2006 yield average of 9.2 kg per hectare, well below the peak level of 15.6 kg per hectare recorded in 1996. Both surveys also concluded that Burma experienced a significant downward trend over the past decade, with poppy cultivation and opium production declining by roughly 80 percent. The UNODC estimated opium production in Burma to be 315 metric tons in 2006 (somewhat less than in 2005), and the yield average to be 14.7 kg per hectare (significantly higher than in 2005).

Declining poppy cultivation has been accompanied by a sharp increase in the production and export of synthetic drugs. According to GOB figures for the first six months of 2006, ATS seizures totaled about 16.27 million tablets, an almost tenfold increase from 2005. Opium, heroin, and ATS are produced predominantly in the border regions of Shan State and in areas controlled by ethnic minority groups. Between 1989 and 1997, the Burmese government negotiated a series of cease-fire agreements with several armed ethnic minorities, offering limited autonomy and continued tolerance of narcotics production and trafficking activities in return for peace. In June 2005, the United Wa State Army (UWSA) announced implementation in Wa territory of a long-delayed ban on opium production and trafficking. While the cultivation of opium poppies decreased in the Wa territory during 2006, according to many reports Wa leadership replaced opium cultivation with the manufacture and trafficking of ATS pills and possibly "Ice" in their territory, predominantly by ethnic Chinese gangs.

Although the government has not succeeded in convincing the UWSA to stop its illicit drug production or trafficking, Burmese police Anti-narcotic Task Forces stepped up pressure against Wa traffickers in 2005 and 2006. In addition, the UWSA itself undertook limited enforcement actions. In May 2006, UWSA units found two clandestine laboratories operating in the Eastern Shan state (territory occupied and controlled by the UWSA-South). The UWSA units dismantled the two heroin refineries, which were operating in their area of control. When the UWSA units entered the lab sites, a firefight ensued, with eight people fatally wounded, four arrested, and 25 kg of heroin and 500,000 methamphetamine tablets seized by the raiding UWSA units. In June 2006, the UWSA passed custody of the contraband substances to Government of Burma (GOB) officials.

The prisoners remain in the custody of the UWSA. These UWSA actions likely were motivated more towards eliminating the competition in their area than by a desire to stop drug trafficking. In Burma, opium addiction remains high in places of historic or current opium production, ranging from 0.60 percent of the total adult population in Shan State to 0.72 percent in Kachin State and up to 0.83 percent in the Wa region, the main area of opium production through 2006.

III. Country Actions Against Drugs in 2006

Policy Initiatives. Burma's official 15-year counternarcotics plan, launched in 1999, calls for the eradication of all narcotics production and trafficking by the year 2014, one year ahead of an ASEAN-wide plan of action that calls for the region to be drug-free by 2015. To meet this goal the GOB has initiated the plan in stages using eradication efforts combined with planned alternative development programs in individual townships, predominantly in Shan State. The government initiated its second five-year phase in 2004. Ground surveys by the Joint GOB-UNODC Illicit Crop Monitoring Program indicate a steady decline in poppy cultivation and opium production due to enforcement, some alternative livelihood measures, which include crop substitution, discovery and closure of clandestine refineries, interdiction of illicit traffic, and annual poppy eradication programs. The UNODC estimates that the GOB eradicated 3,970 hectares of opium poppy in 2006.

The most significant multilateral effort in support of Burma's counternarcotics efforts is the UNODC presence in northeastern Shan State. The UNODC's "Wa Project" was initially a five-year, \$12.1 million supply-reduction program designed to encourage alternative development in territory controlled by the UWSA. In order to meet basic human needs and ensure the sustainability of the UWSA opium ban announced in 2005, the UNODC extended the project until 2007, increased the total budget to \$16.8 million, and broadened the scope from 16 villages to the entire Wa Special Region No. 2. Major donors that have supported the Wa Project include the United States, (however, the USG halted funding after the Wa made death threats against DEA agents) Japan and Germany, while the UK and Australia recently made additional contributions.

As part of the 15-year counternarcotics plan, in 2002 the Burmese Central Committee for Drug Abuse Control (CCDAC) initiated the "New Destiny" project, which calls for the complete eradication of poppy cultivation and its replacement with substitute crops. The GOB has claimed that since the implementation in April 2002 of New Destiny in high-density areas of poppy cultivation (in Shan State, Kachin State, and Kayah State), poppy farmers have surrendered on their own volition over 163,720 kg of poppy seeds, which were then destroyed. This destruction prevented poppy from being cultivated on 40,573 hectares with a potential production of 40.01 metric tons of heroin. The GOB, under its 1993 Narcotics Drugs and Psychotropic Substances Law, has issued notifications in subsequent years controlling 124 narcotic drugs, 113 psychotropic substances, and 25 precursor chemicals. Burma enacted a "Mutual Assistance in Criminal Matters Law" in 2004.

Law Enforcement Measures. The CCDAC, which leads all drug-enforcement efforts in Burma, is comprised of personnel from the police, customs, military intelligence, and army. The CCDAC, effectively under the control of the Ministry of Home Affairs, coordinates 25 drug-enforcement task forces around the country, with most located in major cities and along key transit routes near Burma's borders with China, India, and Thailand. As is the case with most Burmese government entities, the CCDAC suffers badly from a lack of adequate resources to support its law-enforcement mission. There are 25 Anti-Narcotics Units located around Burma under the command of the Burmese Police, the lead counternarcotics law enforcement agency. The Burmese Army and Customs Department support the Police in this role. In 2005, CCDAC established two new anti-narcotic task forces in Rangoon and Mandalay, supplementing existing task forces in both cities. The GOB also established a Financial Investigation Team (FIT), based in Mandalay, to serve as a

clearinghouse for northern Burma. This new team, established with assistance from DEA and the AFP, complements an existing FIT based in Rangoon.

Burma is actively engaged in drug-abuse control with its neighbors China, India, and Thailand. Since 1997, Burma and Thailand have had 11 cross-border law enforcement cooperation meetings. The most significant result of this cooperation has been the repatriation by Burmese police of drug suspects wanted by Thai authorities: two in 2004, one in 2005 and one in 2006. According to the GOB, Thailand has contributed over \$1.6 million to support an opium crop substitution and infrastructure project in southeastern Shan State. Burma-China cross border law enforcement cooperation has also increased, resulting in successful operations and the handover of several Chinese fugitives who had fled to Burma. A joint operation by Burmese and Chinese police resulted in the seizure of 496 kg of heroin in Eastern Shan State in September 2005. While not formally funding alternative development programs, the Chinese government has encouraged investment in many projects in the Wa area, particularly in commercial enterprises such as tea plantations, rubber plantations, and pig farms and has assisted in marketing those products in China through relaxation of duties and taxes.

The last formal Burma/China meeting was held at Pyin-Oo Lwin, Burma, on December 12, 2005. After Burma and India signed an agreement on drug control cooperation in 1993, the two countries have held cross border Law Enforcement meetings on a biannual basis, the last being held September 11, 2004, in Calcutta.

Since the 2005 U.S. federal indictments against the seven UWSA leaders, the GOB has to date taken no direct action against any of the seven indicted UWSA leaders, although authorities have taken action against other, lower ranking members of the UWSA syndicate.

Narcotics Seizures. Heroin, opium, and methamphetamine seizures have all increased since 2005. Summary statistics provided by Burmese drug officials indicate that during the first six months of 2006, Burmese police, army, and the Customs Service together seized 1,406.69 kg of raw opium, 154 kg of heroin, 22.03 kg of marijuana, and just over 16.27 million methamphetamine tablets. In January 2006, Chinese police located a wanted Burmese national and major heroin financier, Yang Ah Hong, in Shanghai and handed him over to Burmese Police. In February 2006, Burmese Police Officers from the Anti-Narcotic Task Force (ANTF) in Tachilek arrested two Burmese nationals after a search of a truck belonging to one of the suspects revealed 100,000 methamphetamine tablets and 1,100 Ecstasy tablets. In March 2006, acting on information received from sources, officers from ANTF Tachilek stopped a Toyota pick-up truck at the entrance of the city limits of Lashio, Burma, and found approximately 48 kg of heroin concealed in a false compartment under the bed of the truck. The driver was arrested. In May 2006, a joint DEA Rangoon, Thai Office of Narcotics Control Board (ONCB) and Burmese CCDAC ANTF operation resulted in the arrest of 16 subjects in Eastern Shan State, and the seizure of approximately 340 kg of heroin, 65.2 kg of opium, 1.08 kg of opium gum and 140 gallons of opium in solution. This operation also resulted in the seizure of two active heroin refineries. The ANTF also discovered and destroyed seven heroin refineries in 2006. In May 2006, ANTF officers arrested two Burmese citizens, a husband and wife, at Switlwe Port, Eastern Shan State, in possession of 48 blocks of heroin (approximately 16 kg). Also in May 2006, the CCDAC conducted an operation at Rangoon international airport, which resulted in the seizure of approximately 3.65 kg of heroin and the arrest of two subjects. On May 28, 2006, police in Eastern Shan state seized 688,000 tablets of methamphetamine and arrested two suspects. In June 2006, police in Mandalay arrested four Burmese nationals and seized 15 kg of ketamine. In October 2006, Police in the Taunggyi ANTF seized 385 vials of ketamine. Each vial was marked as containing 500 milligrams of ketamine hydrochloride.

However, Burma's efforts to combat the production and trafficking of ATS have been unsatisfactory. While seizures are made, they are not at levels commensurate with the burgeoning ATS problem.

Corruption. Burma signed but has not ratified the UN Corruption Convention. Burma does not yet have a legislature or effective constitution; and has no laws on record specifically related to corruption. There is little reliable evidence that senior officials in the Burmese Government are directly involved in the drug trade. However, lower level government officials, particularly army and police personnel posted in border areas, are widely believed to be involved in facilitating the drug trade. Some officials have been prosecuted for drug abuse and/or narcotics-related corruption. In 2006, long prison terms were handed down for several officials of Customs and the Border Trade Committee. The Director General of Burmese Customs was sentenced to 66 years imprisonment and his personal assistant was sentenced to seven years in jail. In 2006, several directors and assistant managers of the Ministry of Trade assigned to the Border Trade Committee in Muse Township, Kutkhaing, were also sentenced to prison terms ranging from seven to forty years based on charges of involvement in illegal trading. However, Burma has failed to indict any military official above the rank of colonel for drug-related corruption.

Agreements and Treaties. Burma is a party to the 1961 UN Single Convention on Narcotic Drugs (and became a member of the 1972 Protocol to the Single Convention in 2003), the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Drug Convention.

Cultivation and Production. According to the UNODC opium yield estimate, in 2006 the total land area under poppy cultivation was 21,500 hectares, a 34 percent decrease from the previous year. The UNODC also estimated that the potential production of opium increased by one percent, from 312 metric tons in 2005 to 315 metric tons in 2006. Despite the decrease in total land under poppy cultivation, the slight increase in potential opium production indicated in the UNODC estimate may reflect improved agricultural methods and more favorable weather conditions in opium poppy growing areas, such as Shan State.

Burma as yet has failed to establish a reliable mechanism for the measurement of ATS production. Moreover, while the U.S. and UNODC undertake estimates of poppy cultivation and production, Burma once again declined to participate in a joint crop survey with the U.S.

Drug Flow/Transit. Most ATS and heroin in Burma is produced in small, mobile labs located near Burma's borders with China and Thailand, primarily in territories controlled by active or former insurgent groups. A growing amount of methamphetamine is reportedly produced in labs co-located with heroin refineries in areas controlled by the United Wa State Army (UWSA), the Shan State Army-South (SSA-S), and groups in the ethnic Chinese Kokang autonomous region. Ethnic Chinese criminal gangs dominate the drug syndicates operating in these three areas. Heroin and methamphetamine produced by these groups are trafficked overland (or via the Mekong River) primarily through China, Thailand, India, and, to a lesser extent, Laos, Bangladesh, and within Burma. Heroin seizures in 2005 and 2006 and subsequent investigations revealed the increased use by international syndicates of the Rangoon International Airport and Rangoon port for trafficking of drugs to the global narcotics market.

Demand Reduction. The overall level of drug abuse is low in Burma compared with neighboring countries, in part because most Burmese are too poor to afford a drug habit. Traditionally, some farmers use opium as a painkiller and an anti-depressant, in part because they lack access to other medicine or adequate healthcare facilities. There has been a growing shift in Burma away from opium smoking toward injecting heroin, a habit that creates more addicts and poses greater public health risks. Deteriorating economic conditions will likely stifle substantial growth in overall drug consumption, but the trend toward injecting narcotics is of significant concern. The GOB maintains that there are only about 65,000 registered addicts in Burma, but surveys conducted by UNODC,

among others, suggest that the addict population could be as high as 300,000. NGOs and community leaders report increasing use of heroin and synthetic drugs, particularly among disaffected youth in urban areas and by workers in mining communities in ethnic minority regions. The UNODC estimated that in 2004 there were at least 15,000 regular ATS users in Burma, and a joint UNODC/UNAIDS/WHO study estimated that there are between 30,000 and 130,000 injecting drug users.

There is also a growing HIV/AIDS epidemic tied to intravenous drug use. According to a UNODC regional center, an estimated 26 to 30 percent of officially reported HIV cases are attributable to intravenous drug use, one of the highest rates in the world. Infection rates are highest in Burma's ethnic regions, and specifically among mining communities in those areas where opium, heroin, and ATS are more readily available.

Burmese demand reduction programs are in part coercive and in part voluntary. Addicts are required to register with the GOB and can be prosecuted if they fail to register and accept treatment. Altogether, more than 21,000 addicts were prosecuted between 1994 and 2002 for failing to register. (The GOB has not provided data since 2002.) Demand reduction programs and facilities are limited, however. There are six major drug treatment centers under the Ministry of Health, 49 other smaller detoxification centers, and eight rehabilitation centers, which, together, have provided treatment to about 60,000 addicts over the past decade. As a pilot model, in 2003 UNODC established community-based treatment programs in Northern Shan State as an alternative to official GOB treatment centers. About 1,700 addicts have participated in this treatment over the past three years. Since 2006, an additional 8,028 addicts have sought medical treatment and support from UNODC-sponsored drop-in centers and outreach workers who are active throughout northeastern Shan State. The GOB also conducts a variety of narcotics awareness programs through the public school system. In addition, the government has established several demand reduction programs in cooperation with NGOs. These include programs coordinated with CARE Myanmar, World Concern, and Population Services International (PSI), all of which focus on addressing injected drug use as a key factor in halting the spread of HIV/AIDS.

However, while maintaining these programs at pre-existing levels, Burma has failed to expand demand-reduction, prevention, and drug-treatment programs to reduce drug use and control the spread of HIV/AIDS. The Global Fund for AIDS, TB, and Malaria had approved grants totaling \$98.5 million for Burma but withdrew in late 2005 due to the government's onerous restrictions and lack of full cooperation.

IV. U.S. Policy Initiatives and Programs

Policy and Programs. As a result of the 1988 suspension of direct USG counternarcotics assistance to Burma, the USG only engages the Burmese government in regard to narcotics control on a very limited level. DEA, through the U.S. Embassy in Rangoon, shares drug-related intelligence with the GOB and conducts joint drug-enforcement investigations with Burmese counternarcotics authorities. In 2006, these joint investigations led to significant seizures, arrests, and convictions of drug traffickers and producers. The U.S. conducted opium yield surveys in the mountainous regions of Shan State from 1993 until 2004, with assistance provided by Burmese counterparts. These surveys gave both governments a more accurate understanding of the scope, magnitude, and changing geographic distribution of Burma's opium crop. As in 2005, the GOB refused in 2006 to allow another joint opium yield survey. A USG remote sensing estimate indicated that opium cultivation in Burma continues its long-term decline. Bilateral counternarcotics projects are limited to one small U.S.-supported crop substitution project in Shan State. No U.S. counternarcotics funding directly benefits or passes through the GOB.

The Road Ahead. The Burmese government has made significant gains in recent years in reducing opium poppy cultivation and opium production, and has cooperated with UNODC and major

regional partners (particularly China and Thailand) in this struggle. Although large-scale and long-term international aid — including development assistance and law-enforcement aid — could play a vital role in further curbing drug production and trafficking in Burma, the ruling military regime's ongoing political repression and barriers to outside assistance have limited international support of all kinds, including support for Burma's law enforcement efforts. Furthermore, in order to be sustainable, a true opium replacement strategy must combine an extensive range of counternarcotics actions, including crop eradication, effective law enforcement, alternative development options, and support for former poppy farmers. The GOB must foster closer cooperation with the ethnic groups involved in drug production and trafficking, especially the Wa, tackle corruption effectively, and enforce counternarcotics laws to eliminate poppy cultivation and opium production.

The USG believes that the GOB must further eliminate poppy cultivation and opium production; prosecute drug-related corruption, especially by corrupt government and military officials who facilitate or condone drug trafficking and money laundering; take action against high-level drug traffickers and their organizations; strictly enforce its money-laundering legislation; and expand prevention and drug-treatment programs to reduce drug use and control the rapid spread of HIV/AIDS. The GOB must take effective new steps to address the explosion of ATS that has flooded the region by gaining closer support and cooperation from ethnic groups, especially the Wa, who facilitate the manufacture and distribution of ATS, primarily by ethnic Chinese gangs. The GOB must close production labs and prevent the illicit import of precursor chemicals needed to produce synthetic drugs. Finally, the GOB must stem the troubling growth of a domestic market for the consumption of ATS.

Cambodia

I. Summary

The number of drug-related investigations, arrests and seizures in Cambodia continued to increase in 2006. This reflects a significant escalation in drug activity and perhaps some increase in law enforcement capacity. The government is concerned at the increasing use of amphetamine-type stimulants (ATS) such as methamphetamines and Ecstasy (MDMA) among all socio-economic levels. The government's principal counternarcotics policymaking and law enforcement bodies, the National Authority for Combating Drugs (NACD) and the Anti-Drug Department of the National Police cooperate closely with DEA, regional counterparts, and the United Nations Office on Drugs and Crime (UNODC). Cambodia is a party to the 1988 UN Drug Convention.

II. Status of Country

Cambodia has experienced a significant increase in recent years in the amount of ATS transiting from the Golden Triangle. The World Health Organization (WHO) estimates that as many as 150,000 methamphetamine tablets enter Cambodia each day. Many of these are consumed domestically (as many as 50,000 per day in Phnom Penh alone), though some are also thought to be re-exported to Thailand and Vietnam. In addition, Cambodian drug control authorities and foreign experts have reported the existence of ATS laboratories in northwestern and southeastern Cambodia. There have also been reports of mobile groups harvesting cinnamomum trees in Cambodia's Cardamom Mountains and extracting chemicals, which can be used as precursors for ATS production. Cocaine use by wealthy Cambodians and foreigners in Cambodia is a relatively small but worrisome new phenomenon. Cocaine consumed in Southeast Asia originates in South America, particularly Peru and Colombia, and transits via human couriers ("swallowers") on commercial air flights to regional narcotics distribution hubs in Bangkok, Hong Kong, Beijing, and Guangzhou. Recent reports indicate that Cambodia may be taking on a small but increasing role as a new trafficking route, with cocaine coming by air from Kuala Lumpur or Singapore, transiting via Phnom Penh, and arriving in Bangkok. Cambodia is not a producer of opiates; however, it serves as a transit route for heroin from Burma and Laos to international drug markets such as Vietnam, Mainland China, Taiwan, Hong Kong, and Australia. Heroin and methamphetamine enter Cambodia primarily through the northern provinces of Stung Treng and Preah Vihear, an area bordering Laos and Thailand. Larger shipments of heroin, methamphetamine and marijuana exit Cambodia concealed in shipping containers, speedboats and ocean-going vessels. Smaller quantities are also smuggled through Phnom Penh International Airport concealed in small briefcases, shoes, and on the bodies of individual travelers. Cannabis cultivation continues despite a government eradication campaign, and there have been reports of continued military and/or police involvement in large-scale cultivations in remote areas. Only small amounts of Cambodian cannabis reach the United States.

III. Country Actions Against Drugs in 2006

Policy Initiatives. Cambodian law enforcement agencies suffer from limited resources, lack of training, and poor coordination. The NACD, which was reorganized in 1999 and again in June 2006, has the potential to become an effective policy and coordination unit. With the backing of the Cambodian government, the UNODC launched in April 2001 a four-year project entitled "Strengthening the Secretariat of the National Authority for Combating Drugs (NACD) and the National Drug Control Program for Cambodia". This project seeks, inter alia, to establish the NACD as a functional government body able to undertake drug control planning, coordination, and

operations. The project expired at the end of 2006 and is to be replaced by a similar, but less ambitious, capacity building project of one-year duration in 2007.

Accomplishments. The NACD is implementing Cambodia's first 5-year national plan on narcotics control (2005-2010), which focuses on demand reduction, supply reduction, drug law enforcement, and expansion of international cooperation. In 2006, the NACD trained 205 police officers, gendarmes, customs officials, seaport officials, and border liaison officials in drug identification and law enforcement. This training complements donor-provided training to increase local law enforcement capacity to test seized substances for use as evidence in criminal trials. The Cambodian government continued its work to strengthen previously weak legal penalties for drug-related offenses. The new law, drafted with help from the Anti-Drug Department of the National Police, provides for a maximum penalty of \$1 million fine and life imprisonment for drug traffickers, and would allow proceeds from the sale of seized assets to be used towards law enforcement and drug awareness and prevention efforts. However, some observers worry that the law is too complex for the relatively weak Cambodian judiciary to use effectively.

Law Enforcement Efforts. According to NACD reports, (exclusive of synthetic drugs) 439 people (mostly Cambodians) were arrested for various drug-related offenses in the first nine months of 2006, compared to 705 in the first eleven months of 2005. The number of arrests and amount of heroin seized during the first nine months of 2006 exceed the total number of heroin-related arrests and quantity seized during all of 2005. Total seizures of heroin from January through September 2006 were 13.4 kg, compared to 11.06 kg in 2005. Police arrested 18 people in heroin-related cases in January to September 2006 (compared to 10 arrests in 2005), including six Taiwanese individuals apprehended at Phnom Penh airport with more than 10 kg of heroin hidden in their bodies and bags. While methamphetamine trafficking is believed to be on the rise, the number of methamphetamine pills confiscated in 2005 and the first nine months of 2006 remain far below 2004 levels. Police arrested 465 people in methamphetamine-related cases in January to September 2006 and seized 322,761 methamphetamine pills, and 3,722 grams of methamphetamine, and 485 small dose packets.

Corruption. The Cambodian government does not, as a matter of government policy, encourage or facilitate illicit production or distribution of drugs or controlled substances, or launder proceeds from their transactions. Nonetheless, corruption remains pervasive in Cambodia, making Cambodia highly vulnerable to penetration by drug traffickers and foreign crime syndicates. Senior Cambodian government officials assert that they want to combat trafficking and production; however, corruption, abysmally low salaries for civil servants, and an acute shortage of trained personnel severely limit sustained advances in effective law enforcement. The judicial system is weak, and there have been numerous cases of defendants in important criminal cases having charges against them dropped after paying relatively small fines. In July 2006, Heng Pov, the former chief of the Anti-Drug Police, fled Cambodia and alleged that high-ranking government officials and well-connected businessmen were involved in drug trafficking but were not prosecuted due to government pressure. It is difficult to assess the credibility of these claims. At the Consultative Group (CG) meeting in December 2004, a group of donor countries jointly proposed a new benchmark for Cambodian government reform: forwarding an anticorruption law, which meets international best practices to the National Assembly. The government agreed to meet this benchmark by the next CG meeting, which was held in March 2006. Unfortunately, the government failed to meet this deadline and, as of October 2006, has still not completed the law. An informal donor working group, including the U.S., has worked closely with the government to produce a draft that meets international best practices. In addition, at each quarterly meeting of the Government-Donor Coordinating Committee, the international community has highlighted the government's still un-met commitment and outlined the international best practices to be included

in the Cambodian draft corruption law. Cambodia has not signed the UN Convention against Corruption.

Agreements and Treaties. Cambodia is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention as amended by the 1972 Protocol. Cambodia is a party to the UN Convention against Transnational Organized Crime and its protocols against migrant smuggling and illegal manufacturing and trafficking in firearms.

Cultivation/Production. Cannabis cultivation continues despite a government eradication campaign. During the first nine months of 2006, 144 square meters of cannabis plantations were destroyed and eight people linked to these plantations were arrested. This eradication campaign has either reached a plateau of success or is being pursued less vigorously than in past years (for example, while 218 square meters were reported destroyed during 2005, 14,000 square meters were reported destroyed during 2004, and 6,000 square meters were reported destroyed in during 2003).

Drug Flow/Transit. Cambodia shares porous borders with Thailand, Laos, and Vietnam and lies near the major trafficking routes for Southeast Asian heroin. Drugs enter Cambodia by both primary and secondary roads and rivers across the northern border. Many narcotics transit through Cambodia via road or river networks and enter Thailand and Vietnam. Enforcement of the border region with Laos on the Mekong River, which is permeated with islands and mangroves, is nearly impossible due to lack of boats and fuel among law enforcement forces. At the same time, recent improvement in National Road 7 and other roads is increasing the ease with which traffickers can use Cambodia's rapidly developing road network--a trend likely to continue as further road and bridge projects are implemented. Large quantities of heroin and cannabis, along with small amounts of ATS, are believed to exit Cambodia via locations along the Gulf--including the deep-water port of Sihanoukville--as well as the river port of Phnom Penh. Airports in Phnom Penh and Siem Reap suffer from lax customs and immigration controls. Some illegal narcotics transit these airports en route to foreign destinations. In May 2006, police and customs officials arrested three Taiwanese nationals, two of whom were carrying a total of more than 7 kg of heroin, which they intended to smuggle to Taiwan on commercial flights. In September 2006, the Anti-Drug Police arrested four South Americans who had swallowed a total of more than 4 kg of cocaine and smuggled it into Cambodia on commercial flights.

Domestic Programs (Demand Reduction). A nine-month report of the NACD, covering the period from January to September 2006, states the total number of drug users and addicts was 6,500, a figure provided by the Royal Government of Cambodia's (RGC) Anti-Drug Department. NGOs and other specialists working on this issue argue that the number of drug users in Cambodia is probably far higher and is growing each year. A study conducted by the Joint United Nations Program on HIV/AIDS (UNAIDS) in 2005 estimated that at the end of 2004, there were 20,000 amphetamine users, 2,500 heroin users, and 1,750 intravenous drug users in Cambodia. With the assistance of the UNODC, UNICEF, WHO, CDC, the Japanese International Cooperation Agency (JICA) and NGOs, the NACD is attempting to boost awareness about drug abuse among Cambodians--especially Cambodian youth--through the use of pamphlets, posters, and public service announcements. A UNODC treatment and rehabilitation project, funded by Japan and initiated in October 2006, provides services to addicts and works to increase the capacity of health and human services to deal effectively with drug treatment issues. This project will work at four sites in three provinces, most likely in Phnom Penh, Battambang, and Banteay Meanchey. Several local NGOs, including Mith Samlanh, Punloeu Komar Kampuchea, Cambodian Children and Handicap Development (CCHDO), Goutte d' Eau, Cambodian Children Against Starvation Association (CCASVA) and Street Children Assistance for Development Program (SCADP), have taken active roles in helping to rehabilitate drug victims across the country.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. For the first time in over three decades, there is relative political stability in Cambodia. However, Cambodia is plagued by many of the institutional weaknesses common to the world's most vulnerable developing countries. The challenges for Cambodia include: nurturing the growth of democratic institutions and the protection of human rights; providing humanitarian assistance and promoting sound economic growth policies to alleviate the debilitating poverty that engenders corruption; and building human and institutional capacity in law enforcement sectors to enable the government to deal more effectively with narcotics traffickers. One unique challenge, which Cambodia faces, is the loss of many of its best trained professionals in the Khmer Rouge period (1975-1979), as well as during the subsequent Vietnamese occupation. Performance in the area of law enforcement and administration of justice must be viewed in the context of Cambodia's profound underdevelopment. Even with the active support of the international community, there will be continuing gaps in performance for the foreseeable future.

Bilateral Cooperation. U.S. restrictions on assistance to the central government of Cambodia, in place from the political disturbances of 1997 until the present reporting period, hampered U.S.-Cambodia bilateral counternarcotics cooperation. However, U.S.-Cambodia bilateral counternarcotics cooperation should improve in FY07 as a result of the lifting of certain restrictions on military assistance to Cambodia. Cambodia regularly hosts visits from Bangkok-based DEA personnel, and Cambodian authorities cooperate actively with DEA, including in the areas of joint operations and operational intelligence sharing. In January and March 2006, immigration, customs, and police officials attended Basic Counternarcotics and Airport Interdiction courses funded by the State Department and taught by DEA Special Agents. DOD conducted Joint Interagency Task Force-West (JIATF-West) training missions in Koh Kong in February 2006, and in Stung Treng province in June 2006. The three-week programs increased the ability of Cambodian police, military, and immigration officials to interdict transnational threats, including narcotics. In 2006, JIATF-West and DEA partnered to incorporate DEA trainers into the JIATF-West training missions, bringing together military interdiction and law enforcement skills into a coherent package. Through a USAID cooperative agreement, Khmer HIV/AIDS NGO Alliance (KHANA) is supporting more than 80 local organizations engaged in HIV/AIDS prevention throughout the country. In 2006, some of these organizations included drug-related HIV/AIDS transmission issues in their programs. Outreach efforts targeted at intravenous drug users will continue, as such drug use is the quickest and most efficient means of HIV transmission.

The Road Ahead. Cambodia is making progress toward more effective institutional law enforcement against illegal narcotics trafficking; however, its capacity to implement an effective, systematic approach to counternarcotics operations remains low. Instruction for mid-level Cambodia law enforcement officers at the International Law Enforcement Academy in Bangkok (ILEA) and for military, police, and immigration officers by JIATF-West has partially addressed Cambodia's dire training needs. However, after training, these officers return to an environment of scarce resources and pervasive corruption. As part of the JIATF-West program, Cambodian officials can be trained in land and maritime navigation and boat maintenance, but equipment to perform these tasks is often shoddy or completely lacking. As noted above ("Bilateral Cooperation"), the USG in FY07 lifted certain restrictions on military assistance to Cambodia. The RGC is establishing a foreign military sales case for \$670,000 of excess defense articles. The acquisition of basic soldier and unit equipment (such as uniforms, boots, first aid pouches, compasses, cots, and tents) for the Army border battalions will facilitate an increased ability to conduct patrols along the borders. The JIATF-West training events in FY07 will consist of two events in Stung Treng province and one event in the Battambang/Banteay Meanchey area, and will again include DEA trainers in addition to military personnel. JIATF-West has also embarked on a training infrastructure renovation project, which will renovate several law enforcement and military

facilities in Sisophon town and the provinces of Preah Vihear and Stung Treng. Renovation will serve both to facilitate future JIATF-West training and also to build the capacity of Cambodian law enforcement and military authorities. In addition, the U.S.-based drug treatment organization Daytop International will conduct three training sessions for Cambodian government, non-government, and private sector drug prevention and treatment professionals. These training sessions, which will be funded by the State Department and will last approximately two weeks each, are scheduled to start in December 2006. USAID is collaborating with WHO and NGO partners to collect data on numbers and behaviors of intravenous drug users and is supporting intravenous drug use and HIV outreach services in Phnom Penh and Siem Reap as a first step in addressing the growing problem of illicit drug use. The U.S. will also encourage the Cambodian Government to sign and ratify the UN Convention against Corruption and begin to implement its commitments.

China

I. Summary

The People's Republic of China is a major factor in the regional drug market, serving as a transit country and an important producer/exporter of Amphetamine Type Stimulants (ATS). China continues to have a domestic heroin problem along with an upsurge in the consumption of synthetic drugs such as Ecstasy and crystal methamphetamine, known locally as "ice." Chinese authorities view drug trafficking and abuse as a major threat to its national security, its economy, and its national and regional stability, but corruption in far-flung drug producing and drug transit regions of China limits what dedicated enforcement officials can accomplish. Authorities continue to take steps to integrate China into regional and global counternarcotics efforts. Cooperation with U.S. counternarcotics officials has steadily improved over the past year. A successful joint operation in 2005/2006 dismantled a Colombian drug organization operating in Southern China. China is a party to the 1988 UN Drug Convention.

II. Status of Country

Mainland China is situated adjacent to both the major narcotics producing areas in Asia, Southeast Asia's "Golden Triangle" and Southwest Asia's "Golden Crescent." While the "Golden Triangle" area poses a longstanding problem, Chinese officials note that the "Golden Crescent" is the source of increasing amounts of illicit drugs trafficked into Western China, particularly Xinjiang Province. China's 97-kilometer border with Afghanistan is remote, but Chinese authorities are increasingly concerned that opium from Afghanistan can find its way into China through other countries. Beijing claims that there are no heroin refineries in China. China is a major producer of licit ephedrine and pseudoephedrine used in the manufacture of methamphetamine. There is a widespread belief among Asian law enforcement agencies that large-scale methamphetamine producers in other Asian countries are using China-produced ephedrine and pseudoephedrine, and there are numerous examples from criminal investigations to confirm this suspicion. Diverted Chinese precursor chemicals may sustain synthetic drug production in other countries as far away as Mexico, Belgium and the Netherlands. Although China recently enacted enhanced precursor chemical control laws and is fully engaged in multilateral and bilateral efforts to stop diversion from its chemical production sector, it has not matched the size of its large chemical industry with sufficient resources to effectively ensure against diversion.

As for drug abuse within China, according to the Chinese Government, drug abuse continues to rise. There were, by the end of 2005 (the most current statistics available), 1,160,000 registered drug users, down 440,000 from 2004, but officials acknowledge the actual number of addicts is higher, and there have been published reports that China might have as many as 15 million drug abusers. The majority of registered drug addicts, 78.3 percent (700,000 people), are heroin users. Youth between the ages of 17-35 comprise the largest percentage of addicts.

As China's economy has grown and its society has opened up over the last decade, the country's youth have come to enjoy increasing levels of disposable income and freedom. This has been associated with a dramatic increase in drug abuse among the country's youth in large and mid-sized cities. The number of abusers of new drugs is increasing and drugs such as crystal methamphetamine, Ecstasy, ketamine, and triazolam have become more popular. Synthetic drug use has surpassed that of traditional drugs in Northeast China's three provinces of Heilongjiang, Jilin, and Liaoning. Nightclubs and karaoke bars have become hotbeds for such recreational drugs.

With a large and developed chemical industry, China is one of the world's largest producers of precursor chemicals, including acetic anhydride, potassium permanganate, piperonylmethylketone (Ecstasy), pseudoephedrine, ephedrine, and ephedra. China monitors all 22 of the chemicals on the

tables included in the 1988 UN Drug Convention. China continues to be a strong partner of the United States and other concerned countries in implementing a system of pre-export notification of dual-use precursor chemicals. According to the PRC's National Narcotics Control Commission (NNCC), China seized over 157 metric tons of precursor chemicals in 2005, prevented 3,250 metric tons of precursor chemicals from being exported abroad, and dismantled 34 labs. Nevertheless, diverted Chinese-source precursor chemicals are regularly encountered abroad during the course of criminal investigations.

III. Country Actions Against Drugs in 2006

Policy Initiatives. China takes active measures to combat the use and trafficking of narcotics and dangerous drugs. China's Ministry of Public Security (MPS) is in the midst of its National People's War on Illicit Drugs, begun in 2005 at the initiative of Chinese President Hu Jintao. MPS has designated five campaigns as part of this effort: drug prevention and education; drug treatment and rehabilitation; drug source blocking and interdiction; "strike hard" drug law enforcement; and strict control and administration, designed to inhibit the diversion of precursor chemicals and other drugs. In November 2005, China passed an Administrative Law on Precursor Chemicals as well as an Administrative Regulation on Narcotic Drugs and Psychotropic Substances. In the same month, China issued Provisional Administrative Regulations on the Export of Precursor Chemicals to Special Countries, strengthening the regulation of exports of 58 types of precursor chemicals to countries in the "Golden Triangle." In June 2004, MPS Bureau of Narcotics Control implemented a nationwide drug-related information gathering, sharing and storing network allowing data comparison alerts, and improved overall coordination in counternarcotics operations.

China continues to participate in UNODC demand reduction and crop substitution efforts in areas along China's southern borders and worked closely with Burma to implement an alternative crops program. With UNODC support, NNCC conducted training in cross-border drug enforcement cooperation, ATS data collection, and combating ATS crimes in Southern China. China routinely participates in counternarcotics education programs sponsored by the International Law Enforcement Academy (ILEA), located in Bangkok, Thailand.

Accomplishments. China's biggest success in 2005/2006 was the dismantlement of a Colombian drug trafficking organization in Southern China in cooperation with U.S. DEA. DEA, Hong Kong, and mainland Chinese agencies jointly tracked a drug trafficking organization as it moved cocaine from Colombia to China. In March 2006, China's Customs Anti-Smuggling Bureau made several arrests and seized 136 kg of cocaine in Zhongshan City in Guangdong Province. China continues to cooperate with regional and international partners to stem drug trafficking. China has eradicated opium poppy cultivation in China and Chinese authorities continue efforts to destroy illicit drug laboratories within China's borders.

Law Enforcement Efforts. The Chinese Government has continued its aggressive counternarcotics campaign. The coordination between China's Beijing-based counternarcotics efforts and those at the provincial level has grown substantially with increased training and exchange programs. Special interagency organizations were set up in 18 key provinces and cities to actively oversee and carry out the National People's War on Illicit Drugs.

According to the NNCC 2006 Report, Yunnan Province (bordering Burma and Laos) and Guangxi Autonomous Region (bordering Vietnam) conducted stepped up counternarcotics efforts in 2005. Yunnan authorities solved more than 10,000 criminal narcotics cases and seized 5.19 tons of heroin, 124 kg of morphine, 2.62 tons of methamphetamine and 2.05 tons of opium and arrested 13,500 suspects. Solved cases and seizures increased by 8.7 percent and 1.3 percent respectively. Yunnan forestry authorities seized 2.97 tons of poppy shells and the State Postal Administration in Yunnan helped solve more than 30 drug-related cases. Guangxi Autonomous Region solved 159 cases involving heroin from Vietnam, an increase of 115 cases over 2004, and seized 66.8 kg of

heroin, up 124 percent over 2004. Both regions mounted special operations to combat drug-related money laundering. In 2005, Xinjiang Autonomous Region uncovered nine cases involving drugs coming from the “Golden Crescent” by air, with 14 foreign couriers arrested and 14.5 kg of heroin seized, a dramatic increase over 2004.

Altogether in 2005, Chinese law enforcement agencies arrested 46,359 drug suspects, prosecuted 33,750 drug cases involving 46,013 persons, and solved 45,400 drug criminal cases, including 1,794 cases involving seizures from one to ten kg and 342 cases with seizures of more than ten kg. China also dismantled 1,550 drug trafficking gangs, arrested 58,000 suspects, and seized 6.9 tons of heroin, 5.5 tons of methamphetamine, 2.3 tons of opium, 2.34 million “Ecstasy” tablets, 2.6 tons of ketamine, and 941 kg of cannabis. Authorities solved 34 precursor cases, arrested 44 suspects, and seized 50.4 tons of precursor chemicals. Chinese authorities seized drug-related funds amounting to 47.92 million RMB, 140 thousand U.S. dollars, and 410,000 Hong Kong dollars.

Prior to 2003, narcotics enforcement was handled by one organization and focused primarily on heroin. The NNCC reorganized its enforcement operations in 2003 and established separate heroin and ATS enforcement groups at both the ministerial and provincial levels in order to better focus on ATS enforcement.

In 2005, China continued to strengthen its cooperation with United States law enforcement agencies. This included major DEA successes, such as the joint efforts against the Colombian drug organization. MPS continues to provide strategic and concrete information to its DEA counterparts to actively target drug rings. MPS has allowed DEA to interview witnesses in carrying out case investigations and has allowed DEA to jointly conduct other investigative activity to help identify drug rings. In addition, MPS routinely facilitates the travel of U.S. law enforcement personnel based at the U.S. Embassy in Beijing.

China has actively participated in an international cooperative effort with its neighbors in the Golden Triangle to reduce poppy cultivation in Laos and Burma in recent years, resulting in a 27 percent decrease in the total area of production since 1995. Nevertheless, according to the NNCC’s 2006 report, Burma remains the major source of opium entering China.

The Chinese Government successfully conducted joint counternarcotics operations with neighboring countries. NNCC reports that after an 11-month investigation, police forces from five countries arrested 70 suspects in September 2005 and finally dismantled an international drug trafficking group headed by Han Hongwan and covering China, Burma, and Thailand.

Corruption. China has a very serious corruption problem. Anticorruption campaigns have led to arrests of many lower-level government personnel and some more senior-level officials. Most corruption activities in China involve abuse of power, embezzlement, and misappropriation of government funds, but payoffs to “look the other way” when questionable commercial activities occur are another major source of official corruption in China. While narcotics-related official corruption exists in China, it is seldom reported in the press.

MPS takes allegations of drug-related corruption seriously, launching investigations as appropriate. Most cases appear to have involved lower-level district and county officials. There is no specific evidence indicating senior-level corruption in drug trafficking. Nevertheless, the quantity of drugs trafficked within China raise suspicions that official corruption is a factor in trafficking in certain provinces bordering drug producing regions, such as Yunnan, and in Guangdong and Fujian, where narcotics trafficking and other forms of transnational crimes are prevalent. Official corruption cannot be discounted among the factors enabling organized criminal networks to operate in certain regions of China, despite the best efforts of authorities at the central government level. China is engaged in an anticorruption dialogue with the United States through the U.S.-China Joint Liaison Group on Law Enforcement Cooperation (JLG). As a matter of government policy or practice,

China does not encourage or facilitate the laundering of proceeds from official drug transactions, nor are there any indications that senior Chinese officials engage in laundering the proceeds from illegal drug transactions. Narcotics-related corruption does not appear to have adversely affected ongoing law enforcement cases in which United States agencies have been involved.

As part of its efforts to stem the flow of corrupt Chinese officials who embezzle public funds and flee abroad to evade punishment, China ratified the United Nations Convention Against Corruption in January 2006, shortly after the Convention entered into force in December 2005.

Agreements and Treaties. China actively cooperates with other countries to fight against drug trafficking and has signed over 30 mutual legal assistance agreements with 24 countries. China has signed 58 bilateral treaties on legal assistance and extradition with 40 countries. China is a party to the 1988 UN Drug Convention, as well as to the 1961 UN Single Convention and its 1972 Protocol and the 1971 Convention on Psychotropic Substances. The United States and China cooperate in law enforcement efforts under a mutual legal assistance agreement signed in 2000. There is no extradition treaty between the United States and China. In January 2003, the United States and China reached agreement on the Customs Mutual Assistance Agreement (CMAA.). In February 2005, NNCC and DEA signed a memorandum of intent to establish a bilateral drug intelligence working group to enhance cooperation and the exchange of information. They jointly sponsored a drug-related money laundering workshop in August 2006. China continues to cooperate with international chemical control initiatives, “Operation Purple” and “Operation Topaz,” and strictly regulates the import and export of precursor chemicals. China continued its participation in the ASEAN and China Cooperative Operations in Response to Dangerous Drugs (ACCORD).

Cultivation/Production. The PRC has effectively eradicated the cultivation of drug-related crops within China. China's mountainous and forested regions where illegal cultivation can occur are subject to aerial surveillance, field surveys, and drug eradication. Chinese officials state that there are no heroin refineries in China.

China is a main source for natural ephedra, which is used in the production of ephedrine. China is also one of the world's largest producers of licit synthetic pseudoephedrine. China has a large pharmaceutical industry and ephedra is used for legitimate medicinal purposes. The Chinese central government, supplemented by stricter controls in critical provinces such as Yunnan and Zhejiang, makes efforts to control exports of this key precursor. Despite these efforts, there is a widespread belief among law enforcement authorities in Asia that large-scale production of methamphetamines, most notably in super and mega-labs, in the Asia Pacific Rim, use China-produced ephedrine and pseudoephedrine. Large-scale seizure of chemicals diverted from China is almost commonplace in law enforcement investigations around the world.

The Chinese Government continues to make shutting down illicit drug laboratories a top priority. China dismantled 34 labs in 2005.

Drug Flow/Transit. China continues to be used as a transshipment route for drugs produced in the “Golden Triangle” to the international market, despite counternarcotics cooperation with neighbors such as Vietnam, Thailand and Burma. China shares a 2000-kilometer border with Burma, much of which lies in remote and mountainous areas, providing smugglers unrestricted crossing into China. In addition, there are many official crossings on the Burma/China border that also provide access. Transit of drugs through Yunnan and Guangxi to Guangdong for storage, distribution, or repackaging has been especially widespread. Traffickers continue to use Guangzhou, Shenzhen, and Zhuhai in Guangdong Province as transit/transshipment points for heroin and crystal methamphetamine leaving China. Chinese authorities report that much of Burma's heroin travels through China en route to the international market. It is estimated 78 percent (8,468 kg) of the total amount of heroin (10,837 kg) seized in China during 2004 was produced in the Golden Triangle

area and entered China from the Muse and Kohkang areas of Northern Burma. In 2005, Chinese authorities seized a total of 6.9 tons of heroin nationwide.

Chinese authorities acknowledge that Western China is experiencing significant problems as well. Chinese officials are becoming increasingly concerned about the growing source of opium from the Golden Crescent and have seen a steady increase in the flow of heroin from that region. They report that drugs such as opium and heroin are being smuggled into Xinjiang Province for distribution throughout China. MPS and DEA report that Pakistan serves as a key trafficking route for heroin from Afghanistan into China. In 2005, Pakistan reportedly solved 22 cases involving drugs intended for China. China itself reported nine cases of drugs smuggled by air into China from Pakistan.

Domestic Programs (Demand Reduction). MPS figures indicate there were 1,160,000 registered drug addicts in China in 2005, down 440,000 from 2004. Officials acknowledge that the actual number of addicts is higher, with some published reports speaking of 15 million drug abusers. An estimated 700,000 people, or 78.3 percent, of registered drug abusers are addicted to heroin.

As part of its National People's War on Illicit Drugs, China takes a multi-agency approach to educating people about drug prevention. This effort involved producing a film, "Memory of Black and White," on drug prevention and education; creating a drug enforcement hero character, Wu Guanlin, and promoting him and his deeds in five provinces; disseminating thousands of drug control fliers and pictures for prominent display on TV, buses, and in public spaces; designating five well-known public figures as "image ambassadors"; setting up training courses in schools in key provinces that reach millions of students; mobilizing 1,000 college students to go to villages during holidays to publicize drug control; antidrug training in discos and pubs, targeting high-risk groups and promoting drug awareness; special courses in re-education-through-labor camps; periodic placement of pieces in newspapers, magazines, and TV news programs including Focus Talk, Face to Face, Dialogue, etc. China continued to give high priority to controlling the spread of HIV/AIDS in 2005. MPS also stepped up campaigns targeting young people in its fight against banned narcotics and created more drug-free residence communities and villages for rehabilitating addicts.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Counternarcotics cooperation between China and the United States continues to develop in a positive way. The information shared by China is leading to progress in attacking drug-smuggling rings that have an impact on the U.S. and is yielding significant operational results.

Road Ahead. The most significant problem in bilateral counternarcotics cooperation remains the lack of progress toward concluding a bilateral Letter of Agreement (LOA) enabling the U.S. Government to extend counternarcotics assistance to China. Reaching agreement on the LOA is a major U.S. goal that, if achieved, would greatly increase counternarcotics cooperation between the two countries. While China has provided the DEA on a case-by-case basis with some samples of drugs seized in the PRC intended for U.S. markets, the U.S. Government would welcome routinely receiving samples of all drugs seized by Chinese authorities. Despite these issues, bilateral enforcement cooperation remains on track and is expected to continue to improve over the coming year.

Hong Kong

I. Summary

Hong Kong is not a major transit/transshipment point for illicit drugs destined for the international market because of its efficient law enforcement efforts, the availability of alternate transport routes, and the development of port facilities elsewhere in southern China. Some traffickers continue to operate out of Hong Kong to arrange shipments from nearby drug-producing countries via Hong Kong and other international markets, including to the United States. The Government of the Hong Kong Special Administrative Region (HKSAR) actively combats drug trafficking and abuse through legislation and law enforcement, preventive education and publicity, treatment and rehabilitation, as well as research and external cooperation. The 1988 UN Drug Convention, to which the People's Republic of China (PRC) is a party, also applies to Hong Kong.

II. Status of Hong Kong

Hong Kong's position as a key port city in close proximity to the Golden Triangle and mainland China historically made it a natural transit/transshipment point for drugs moving from Southeast Asia to the international market, including to the United States. In recent years, Hong Kong's role as a major transit/transshipment point has diminished due to law enforcement efforts and the availability of alternate routes in southern China. Despite the diminished role, some drugs continue to transit Hong Kong to the United States and the international market. Some drug-traffickers continue to use Hong Kong as their financial base of operations, including investors involved in international drug trafficking activity who reside in Hong Kong. Drug trafficking groups operating in Hong Kong are primarily transnational in nature.

Hong Kong law enforcement officials maintain very cooperative liaison relationships with their U.S. counterparts in the fight against drugs. According to HKSAR authorities, drugs seized in Hong Kong are smuggled mostly for local consumption and to a lesser extent for further distribution in the international market, including the United States. Hong Kong continued to experience an overall decrease in drug abuse in 2006. According to the Hong Kong Central Registry of Drug Abuse (CRDA), in the first six months of 2006 the total number of drug abusers continued to fall to 7941, a drop of 11.5 percent from 8969 during the same period in 2005. Ketamine (an livestock anesthetic abused by youth as a hallucinogen) was the most commonly abused psychotropic substance and the number of its abusers rose by 20.9 percent in the first half of 2006. (Hong Kong is one of the centers of abuse of Ketamine in Asia.) There was also a slight increase in the number of young drug abusers under age 21, rising from 1,396 to 1,451. Heroin remains the most popular drug of adult drug users and the number of overall heroin users slightly decreased in the first six months of 2006 when compared to the same period in 2005.

In 2006, the Hong Kong Government again gave a high priority to tackling psychotropic substance abuse. The Hong Kong Government has identified the continuing prevalence of psychotropic substance abuse and the growing trend of young people experimenting with drugs as their major area of concern in the battle against drug abuse and trafficking.

III. Actions Against Drugs in 2006

Policy Initiatives. Although there were no major policy changes in 2005 and 2006, the Hong Kong Government continued to work with existing counternarcotics policies and strategies in drug-prevention efforts. Minor policy changes included the replacement of the Action Committee Against Narcotics on Research by the Research Advisory Group (RAG). Apart from monitoring

research, the RAG provides advice on interpreting drug abuse statistical trends and drawing together the latest research findings from both local and overseas narcotics-related studies.

Law Enforcement Efforts. Hong Kong's law enforcement agencies, including the Hong Kong Police and Hong Kong Customs and Excise Department (HKCED), place high priority on meeting the objectives of the 1988 UN Drug Convention. Their counternarcotics efforts focus on the suppression of drug trafficking and the control of precursor chemicals. The Hong Kong Police have adopted a three-level approach to combat narcotics distribution: at the headquarters level, the focus is on high-level traffickers and international trafficking; the regional police force focuses on trafficking across police district boundaries; and the district level police force has responsibility for eradicating street-level distribution. In 2006 Hong Kong Police stepped up license checking on entertainment premises in order to deter youngsters from visiting venues where drugs are more easily available. HKCED's Chemical Control Group, in cooperation with the U.S. DEA office in Hong Kong, closely monitors the usage of precursor chemicals and tracks the export of suspicious precursor chemical shipments to worldwide destinations with significant results impacting on several regions including the United States. HKCED continued to aggressively combat drug trafficking in 2006 and carried out numerous significant drug seizures, including the collective seizure with the U.S. DEA and Chinese Customs authorities of 142 kg of cocaine. Concurrent with the cocaine seizure, HKCED arrested eight defendants, three of whom are Colombian nationals. Results from this investigation corroborate increasing intelligence information that Colombian trafficking organizations are establishing closer working ties with Chinese traffickers and becoming actively involved in joint smuggling ventures of cocaine to the Asia region. Hong Kong police also made large narcotics seizures in the first nine months of 2006 to include record seizures of 151,200 and 550 kg of ketamine in January, February and September respectively.

Corruption. As a matter of government policy, the HKSAR government does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. Similarly, no senior government official is alleged to have participated in such activities.

Hong Kong has a comprehensive anticorruption ordinance that is effectively enforced by the Independent Commission Against Corruption (ICAC), which reports directly to the Chief Executive. In addition, the UN Convention Against Corruption, which the PRC ratified on January 13, 2006, is applicable to Hong Kong.

Agreements and Treaties/International Cooperation. Hong Kong has "mutual legal assistance in criminal matters agreements" with the United States and many other countries. Hong Kong signed surrender of fugitive offenders' agreements with Finland, Germany and Korea in 2006 to bring the total number of countries with which Hong Kong has such agreements or treaties to 16, including the U.S. Hong Kong has also signed transfer of sentenced persons' agreements with eight countries, including the U.S. Hong Kong law enforcement agencies enjoy a close and cooperative working relationship with their mainland counterparts and counterparts in many countries. Last year Hong Kong's Joint Financial Intelligence Unit (JFIU) entered into a Memoranda of Understanding in respect to intelligence sharing with the financial intelligence units of Australia, Korea, Japan, Singapore and Canada. Hong Kong's reversion to China in 1997, and particularly adjustment to the unique "one country, two systems" environment in which Hong Kong currently operates, caused Hong Kong's law enforcement and customs operations around the time of reversion (July 1997) to operate less efficiently with their mainland counterparts than they do now. In the last few years, liaison information sharing and data-networking functions, such as customs information, have been formalized and have been successful in increasing the levels of inter-system cooperation and efficiency. Because intermittent drug trafficking through Hong Kong involving mainland China has been increasing, foreign law enforcement agencies in Hong Kong such as the U.S. DEA have also benefited from the increased level of PRC-Hong Kong cooperation. One

example has been a strong emphasis on cooperative training seminars. In June 2006, an innovative cross-boundary intelligence sharing workshop hosted by the U.S. DEA and HKCED included officials from Mainland Chinese Customs and highlighted the open exchange of intelligence and the increasing level of cooperation among the participating agencies. The 1988 UN Drug Convention, 1961 UN Single Convention as amended by the 1972 Protocol, and the 1971 UN Convention Against Psychotropic Substances are all applicable to Hong Kong.

Cultivation and Production. Although Hong Kong police detected and destroyed several minor drug production and cultivation enterprises in 2006 including four small-scale crack cocaine production labs and three cannabis cultivation sites, Hong Kong is generally not considered a producer of illicit drugs.

Drug Flow/Transit. Some drugs continue to flow through Hong Kong for the overseas market, to destinations including Australia, Japan, Taiwan, and the United States. Traffickers use land routes through mainland China to smuggle heroin into Hong Kong. The heavy volume of vehicle and passenger traffic at the land boundary between PRC and Hong Kong continues to pose difficulties in the fight against the trafficking of drugs into Hong Kong. In an effort to curb Hong Kong's role as a transit/transshipment point for illicit drugs, the HKSAR maintains a database of information on all cargoes, cross-border vehicles, and shipping. The air cargo clearance system, the land border system and the customs control system are all capable of quickly processing information on all import and export cargoes, cross-border vehicles and vessels. The local Chinese population primarily dominates the Hong Kong drug trade. Contrary to common belief, there is not a significant and direct connection between Hong Kong narcotics activity and Hong Kong triads at the wholesale and manufacturing level. Therefore, drug investigations are not focused on known triad societies, but rather on the particular trafficking syndicates or individuals involved. In 2005 and 2006, the trafficking destined for mainland China by Southeast Asians became more prominent. As a result, seizures of ketamine have continued to spiral upwards and shipments of multi-kilo loads of ketamine have been intercepted. For example, a recent joint investigation between the U.S. DEA and Taiwanese authorities netted the seizure of 240 kg of ketamine believed to have originated from India and bound for Taiwan.

Domestic Programs. The Hong Kong Government uses a "five-pronged" approach to confront domestic drug problems, covering legislation and law enforcement; preventive education and publicity; treatment and rehabilitation; research; and external co-operation. In 2006, the Hong Kong Government's preventative education policy efforts continued to focus on youth and parents. The Hong Kong Government has provided a comprehensive drug prevention program throughout Hong Kong's education system. In 2006 the Hong Kong Police Narcotics Division stepped up publicity efforts to teach Hong Kong adolescents about the detrimental effects of commonly abused drugs like ketamine by using Announcements in the Public Interest through TV and radio broadcasts. The Hong Kong Government's Narcotics Bureau also partners with youth organizations and groups such as Junior Police Call, the Hong Kong Red Cross, and the Scout Association of Hong Kong to promote an anti-counternarcotics message to youths. In June 2004, the Hong Kong Government formally opened the Drug Information Centre (DIC), funded by the Hong Kong Jockey Club. The DIC is the first exhibition center in Hong Kong dedicated to counternarcotics education. Since the DIC's opening, it has received more than 73,000 visitors for various drug-prevention education activities. The Government also continued to commission nongovernmental organizations to assist in educating primary and secondary school children by sponsoring antidrug education programs in local schools and conducting antidrug seminars with parents, teachers, social workers and persons from various uniform groups. In July 2005, the Advisory Group on Professional Training for Anti-drug Workers was formed to educate social workers and peer counselors and provide them with certified antidrug training on treatment and rehabilitation.

The Hong Kong Government also continued to implement a comprehensive drug treatment and rehabilitation program in 2006. The fourth Three-year Plan on Drug Treatment and Rehabilitation Services was released in March 2006. The plan sets out the overall direction for enhancing Hong Kong's treatment and rehabilitation services and increases focus on early intervention efforts and focus programs that reach out to substance abusers. The Department of Health and the Social Welfare Department continued to operate seven residential drug treatment centers and five counseling centers for psychotropic substance abusers and the Department of Health continued its operation of a methadone treatment program. The Correctional Services Department continued to provide compulsory treatment for convicted persons with drug abuse problems.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The U.S. Government and the HKSAR continue to promote sharing of proceeds from joint counternarcotics investigations. In May 2003, Hong Kong began participating in the U.S. Container Security Initiative (CSI), which U.S. law enforcement believes will increase the potential for identifying shipments of narcotics, even though its focus is on terrorism and weapons of mass destruction. Hong Kong is also an active participant in the International Law Enforcement Academy (ILEA) in Bangkok, Thailand. From 2003 to October 2005, Hong Kong Customs, Hong Kong Department of Health and the U.S. DEA launched a joint operation codenamed "Cold Remedy" to monitor the movement of precursor chemicals that are used in the production of methamphetamine and other drugs from Hong Kong to high-risk countries. The operation effectively decreased the frequency of these shipments and, through the high level of information exchange and timely international tracking, indicated strong cooperation between Hong Kong Government officials and their U.S. counterparts. To further strengthen international cooperation against trafficking of precursors used in the production of amphetamine and other amphetamine-type stimulants (ATS) drugs, Hong Kong secured an agreement with the U.S., Mexico and Panama to impose stringent controls on such shipments. Since the agreement's implementation in April 2005, no shipment of such products to Mexico or any other high-risk countries has been detected. Another cooperative chemical initiative was implemented in February 2006 and codenamed Amethyst Asia. This new program is designed much like Cold Remedy in which the U.S. DEA and Hong Kong Government monitor and track potassium permanganate shipments sourced from countries or territories in Asia, which transit through Hong Kong, and are destined to high risk countries. Potassium permanganate is a precursor chemical used in the manufacture of cocaine.

The Road Ahead. The Hong Kong Government has proven to be a valuable partner in the fight against drug trafficking and abuse. Hong Kong law enforcement agencies, among the most effective in the region, continue to cooperate closely with U.S. counterparts. The U.S. Government will continue to encourage Hong Kong to maintain its active role in counternarcotics efforts.

Indonesia

I. Summary

Although Indonesia is not a major drug producing, consuming, or transit country, Indonesia continues to have a rapidly growing problem in all three areas. The Indonesian National Police (INP) has participated in several international donor-initiated training programs and continues to commit increased resources to counternarcotics efforts. The INP has received both specialized investigative training and equipment, including vehicles, software, safety and tactical equipment, to support its efforts against crime and drugs. INP efforts are firmly based on counternarcotics legislation and international agreements. The INP relies heavily on assistance from major international donors, including the U.S. Indonesia is a party to the 1988 UN Drug Convention.

II. Status of Country

According to Government of Indonesia (GOI) statistics, Indonesia is facing an increase in drug abuse among its citizenry. Specifically, according to the Indonesian National Narcotics Board (BNN) approximately 3.2 million people (1.5 percent of Indonesia's total population) are drug abusers. Furthermore, according to GOI statistics, on average 15,000 people, die from drug abuse every year. Of the drug users in Indonesia, 56 percent are drug addicts using hypodermic needles. A statistical comparison of the number of drug trafficking and abuse cases indicates that between 2001 and 2005, there was a 76 percent increase. Similarly, the BNN reports that during the same period the number of suspects in drug trafficking and abuse cases has increased 75 percent. In an effort to curb the rising drug abuse problem the Indonesian government has imposed tougher punishments. Nevertheless, all major groups of illegal drugs are readily available in Indonesia, including, methamphetamine, in its crystalline or tablet forms, Ecstasy (MDMA), heroin, cocaine, and marijuana.

Historically, MDMA Ecstasy has been smuggled into Indonesia from sources of supply in the Netherlands. However, in recent years Indonesia has been experiencing an increase in large scale, domestic MDMA and methamphetamine production, which is one of the most significant drug trafficking threats to Indonesia. Since 2002, Indonesian/Chinese MDMA and methamphetamine production syndicates have established numerous large-scale clandestine MDMA and methamphetamine laboratories capable of producing multi-hundred pound quantities utilizing precursor chemicals from the Peoples Republic of China (PRC). In addition, MDMA and methamphetamine produced in the PRC is smuggled to Indonesia in multi-hundred kg quantities, via maritime cargo and fishing vessels, by Chinese organized crime syndicates based in Hong Kong, Taiwan and in mainland China. Specifically, Indonesian authorities cite two of the largest methamphetamine seizures of 2006, 200 kg (February 2006) and 956 kg (August 2006), as originating from the PRC and say they were smuggled via maritime cargo and fishing vessels to Indonesia.

Marijuana is cultivated and trafficked throughout Indonesia; INP also reports that Indonesian trafficking syndicates based out of Jakarta control marijuana trafficking in Indonesia.

Although cocaine seizures continue to occur in major Indonesian airports, the market for cocaine in Indonesia is believed to be very small.

III. Country Actions Against Drugs in 2006

Policy Initiatives. The BNN continues to strive to improve interagency cooperation in drug enforcement, interdiction, and precursor control. In 2005, under the auspices of BNN, the USG sponsored Joint Interagency Counter Drug Operations Center (JIACDOC) was opened in Jakarta,

Indonesia. The JIACDOC is supported by an extensive IT infrastructure connecting the center to key provinces throughout Indonesia. The mission of the JIACDOC is to improve coordination and information exchange between various Indonesian law enforcement agencies related to drug enforcement.

Law Enforcement Efforts. The continued lack of modern detection, enforcement and investigative methodologies and technology, as well as the presence of pervasive corruption, are the greatest obstacles to advancing the antidrug efforts. According to the BNN, prosecutions for drug possession, trafficking and manufacturing have increased more than 400 percent during recent years. Specifically, based on GOI figures, the number of prosecutions for drug possession had quadrupled to 14,515 in 2005 from 3,617 in 2001. Furthermore, the number of recorded drug crimes, including trafficking has also increased from 4,924 suspects in 2001, to 20,023 in 2005.

The INP Narcotics and Organized Crime Directorate continues to improve in its ability to investigate and dismantle international drug trafficking syndicates, as well as cooperate with other international law enforcement agencies. In addition, the Narcotics Directorate has become increasingly active in the regional targeting conferences designed to coordinate efforts against transnational drug and crime organizations. In 2006, the INP attended the International Drug Enforcement Conference (IDEC) held in Montreal, Canada. INP's Director for Narcotics and Organized Crime was subsequently appointed as the Chairman of the East Asia Regional IDEC Working Group.

The maritime counterdrug effort depends on a myriad of Indonesian law enforcement agencies. Efforts to define the roles of these agencies, including the Navy and the INP Air and Sea Police continue in an effort to avoid duplicative enforcement initiatives.

Corruption. Indonesia has laws against official corruption. Despite these laws, corruption in Indonesia is endemic, and seriously limits the effectiveness of all law enforcement, including narcotics law enforcement. As a matter of government policy and practice, the GOI does not encourage or facilitate the illicit production or distribution of drugs or the laundering of proceeds from illegal transactions. The recently elected administration has made anticorruption efforts one of its top three major policy initiatives along with counterterrorism and counterdrug efforts.

Agreements and Treaties. Indonesia is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention, as amended by the 1972 Protocol. Indonesia ratified the UN Corruption Convention in September 2006.

Cultivation/Production. Opium is not cultivated or processed in Indonesia. INP reports that the domestic production of MDMA and methamphetamine is the most significant drug production threat in Indonesia. MDMA and methamphetamine are produced in Indonesia, as well as neighboring Malaysia. Specifically, Indonesian/Chinese trafficking syndicates based in both Jakarta and Malaysia (Penang) utilize chemists trained in the Netherlands. Local syndicates rely upon precursor chemical sources of supply in the Peoples Republic of China (PRC). The lax law enforcement, and corruption that is endemic to Indonesia enables regional narcotics production and trafficking syndicates to operate relatively unimpeded by law enforcement

Marijuana is cultivated throughout Indonesia. However due to the equatorial climate of Sumatra, and year round growing conditions, marijuana is most intensively cultivated throughout northern Sumatra. Specifically, large scale (greater than 20 hectares) marijuana cultivation occurs in the remote and sparsely populated regions of the province, often in mountainous topography. Regional marijuana cultivation syndicates are believed to be exploiting INP's equipment limitations by locating cultivation sites in remote and high elevation areas.

Drug Flow/Transit. Indonesia's numerous islands present a ready opportunity to traffickers of synthetic drugs and precursor chemicals to manufacture them. The GOI is not adequately equipped

to police and inspect the numerous entirely licit flows of waterborne commerce, and finds it very difficult indeed to distinguish systematically which vessels might be carrying contraband. Most synthetics and precursors for them seem to arrive in Indonesia by boat from their starting point in China.

The INP reports that the majority of heroin seized in Indonesia originates in Southwest Asia. Indonesian authorities report that much of the heroin trade in Indonesia is controlled and directed by West Africans-- Nigerians in particular. Heroin is smuggled by West African and Nepalese trafficking organizations utilizing sources of supply in Karachi, Pakistan and Kabul, Afghanistan via commercial air carriers transiting Bangkok, Thailand, and India en route to Jakarta. In addition to heroin being trafficked to Indonesia, heroin is also transshipped from Indonesia, by couriers traveling via commercial air carrier to Europe, Japan and Australia.

Domestic Programs/Demand Reduction. Indonesia has only a basic drug education program, which is significantly constrained by inadequate resources. Sophisticated treatment availability is also a problem. Sophisticated treatment is really only available, to a limited extent, in the largest Indonesian cities. If the family of a drug abuser has adequate resources, they might seek treatment elsewhere, perhaps in Malaysia or Singapore. General treatment availability in smaller cities and in areas other than Java would probably be at government-operated treatment clinics, and providers would have little experience in delivering either appropriate pharmaceuticals or counseling. With U.S. assistance and collaboration, the GOI National Narcotics Board and the Ulama Council of Indonesia has established demand reduction outreach centers within their madrassahs (religious schools called Pesantrens) throughout Indonesia, permitting a culturally appropriate response to drug abuse.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Indonesia and the United States maintain excellent law enforcement cooperation on narcotics issues. During 2006, the United States Coast Guard (USCG) conducted basic and advanced boarding officer courses in Indonesia. ICE (Immigration and Customs Enforcement) has also provided Indonesian authorities with advanced money laundering training in 2005 and training in combating cash couriers and trade based money laundering in 2006.

The Road Ahead. In 2007 the U.S. will continue to assist the BNN and its member agencies in realizing the full potential of the Counter Drug Operations Center and Network to standardize and computerize the reporting methods related to narcotics investigations and seizures; to develop a drug intelligence database; and to build an information network designed to connect all of the provinces of Indonesia. This will permit Indonesian law enforcement to contribute to and access the database for investigations. The U.S. and Indonesia will continue to cooperate closely on narcotics control.

Japan

I. Summary

Japan's efforts to fight drug trafficking comply with international standards. Japan cooperates with other countries in intelligence sharing and law enforcement. Methamphetamine abuse remains the biggest challenge to Japanese antinarcotics efforts, but MDMA (Ecstasy) trafficking has also become a persistent problem. Cocaine and marijuana use is relatively smaller in scale but still significant. According to Japanese authorities, all illegal drugs consumed in Japan are imported from overseas, usually by organized crime syndicates and foreign drug trafficking organizations. In spite of bureaucratic obstacles, Japanese law enforcement officials are proactively addressing the problem, and have conducted precedent-setting operations in cooperation with the U.S. Drug Enforcement Administration (DEA) Tokyo. Although drug seizures are down from 2005 levels, continuing short-supply-driven high street prices indicate that law enforcement has been effective. Japan is a party to the 1988 UN Drug Convention.

II. Status of Country

Japan is one of the largest markets for methamphetamine in Asia. A significant source of income for Japanese organized crime syndicates, over 80 percent of all drug arrests in Japan involve methamphetamine. The National Police Agency (NPA) estimates there are 600,000 methamphetamine addicts, and between one and three million casual users nationwide. Authorities unofficially estimate that between four and seven metric tons is trafficked annually into Japan. MDMA has also become a significant problem in Japan; over 50,000 Ecstasy tablets had been seized by police as of September 2006, and officials say that they expect MDMA abuse to increase. Marijuana use has also grown steadily in Japan since 2000. Japan is not a significant producer of narcotics. The Ministry of Health, Labor and Welfare strictly controls some licit cultivation of opium poppies, coca plants, and cannabis for research. According to DEA and the National Police Agency, there is no evidence that methamphetamine or any other synthetic drug is manufactured domestically.

III. Country Actions Against Drugs in 2006

Policy Initiatives. The Headquarters for the Promotion of Measures to Prevent Drug Abuse, which is part of the Prime Minister's Office (Kantei), announced the Five-Year Drug Abuse Prevention Strategy in July 2003. This strategy includes measures to increase cooperation and information-sharing among Japanese agencies as well as with foreign countries, utilize more advanced investigation techniques against organized crime syndicates, and raise awareness about the dangers of drug abuse. The Ministry of Health, Labor and Welfare added 30 more drugs to its list of controlled substances in 2006.

Law Enforcement Efforts. Japanese police are effective at gathering intelligence and making arrests, in spite of operating under a number of legal and operational constraints. Prosecutors do not have the option of plea-bargaining in Japan, which severely limits the amount of information police can extract from the people they arrest. Japan also has laws restricting the use of informants, undercover operations, and telephone intercepts. Officials nevertheless maintain detailed records of Japan-based drug trafficking, organized crime, and international drug trafficking organizations. Japan regularly shares intelligence with foreign counterparts and engages in international drug trafficking investigations. The National Police Agency and Tokyo Metropolitan Police conducted two groundbreaking operations in 2006 with DEA's assistance. Using technically sophisticated methods to attack organized crime drug traffickers, officers seized 30 kg of Nepalese cannabis resin in July and two kg of Peruvian cocaine in September. The decrease in drug seizures in 2006

could be a sign of reduced supply. The closure of several methamphetamine mega-labs in Indonesia, Malaysia, and the Philippines, as well as Japan's increased international cooperation, may be limiting the flow of drugs into the country. The fact that drug prices have risen in the last year strongly suggests that supply on the street is tight. As of September 2006, police had seized 45 kg of methamphetamine, a significant decrease from the 126 kg confiscated during the same period in 2005. Marijuana and cannabis resin seizures as of September 2006 were 154 kg and 57 kg respectively, over a third less than the same period of the previous year. MDMA seizures during January-September fell from 350,000 tablets in 2005 to only 50,000 in 2006. Cocaine, heroin, and opium seizures remained roughly at their 2005 levels.

Corruption. There were no reported cases of Japanese officials being involved in drug-related corruption in Japan in 2006. The government does not encourage or facilitate the illicit production or distribution of narcotics, psychotropic drugs, controlled substances, or the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. Japan abandoned efforts to pass an anticonspiracy bill this year, a major step backward for a country otherwise very progressive on fighting illegal narcotics trafficking. As a result, Japan cannot ratify the UN Convention on Transnational Organized Crime. Japan is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs, the 1972 Protocol amending the Single Convention, and the 1971 UN Convention on Psychotropic Substances.

An extradition treaty is in force between the U.S. and Japan, and a Mutual Legal Assistance Treaty (MLAT) went into effect in August 2006, Japan's first MLAT with any country. The MLAT allows Japan's Ministry of Justice to share information and cooperate directly with the Department of Justice in connection with investigations, prosecutions and other proceedings in criminal matters.

Cultivation/Production. Japan is not a significant cultivator or producer of controlled substances. The Ministry of Health, Labor, and Welfare's research cultivation program produces a negligible amount of narcotic substances purely for research purposes.

Drug Flow/Transit. Authorities believe that methamphetamine smuggled into Japan originates in the People's Republic of China (PRC), Taiwan, North Korea, Burma, Malaysia, Indonesia and the Philippines. Drugs other than methamphetamine often come from these same source countries, however airport customs officials have made several recent seizures of cocaine transiting from the United States, and authorities confirm that methamphetamine and marijuana are being imported from Canada as well. Most of the MDMA in Japan originates in either the Netherlands or China.

Domestic Programs/Demand Reduction. Most drug treatment programs are small and are run by private organizations, but the government also supports the rehabilitation of addicts at prefectural (regional) centers. There are a number of government-funded drug awareness campaigns designed to inform the public about the dangers of stimulant use, especially among junior and senior high school students. The Ministry of Health, Labor, and Welfare, along with prefectural governments and private organizations, continues to administer national publicity campaigns and to promote drug education programs at the community level.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. goals and objectives include building on the successes of the last year by strengthening law enforcement cooperation related to controlled deliveries and drug-related money-laundering investigations; encouraging more demand reduction programs; supporting increased use of existing anticrime legislation and advanced investigative tools against drug traffickers; and promoting greater involvement from government agencies responsible for financial transaction oversight.

The Road Ahead. DEA Tokyo will work closely with its Japanese counterparts to offer support in conducting investigations on international drug trafficking, money-laundering, and other crimes. DEA will continue to pursue an aggressive education and information-sharing program with Japanese law enforcement agencies to foster knowledge of money laundering investigations, and their relationship to narcotics trafficking and terrorist financing.

Laos

I. Summary

Laos has made tremendous progress in reducing opium cultivation during the last several years, but there is growing evidence that the momentum of this effort is slowing, and may even have reversed. The large number of former poppy growers who have yet to receive assistance has created a substantial potential for renewed production. At the same time, both the transit and abuse of Amphetamine Type Stimulants (ATS) appear to be growing unabated throughout the country. While both treatment capacity and awareness programs targeting methamphetamine expanded in 2006, they remain insufficient to meet the challenges facing Laos. Law enforcement capacity is woefully inadequate, and the inability to offer an effective deterrent to regional traffickers is making Laos the transit route of choice for Southeast Asian heroin, ATS, and precursor chemicals bound for other nations in the region. The combination of weak enforcement and new Lao highways connecting China, Thailand, and Vietnam will likely exacerbate the already worrisome transit situation. Laos is a party to the 1988 UN Drug Convention.

II. Status of Country

In 2006, Laos moved into what seemed a final stage in its battle against opium, in no small part due to U.S. counter narcotics funding and assistance from other donors working to alleviate rural poverty and drug cultivation. From a high of more than 42,000 ha under cultivation in 1989, current estimates show less than 3,000 remaining, a reduction of more than 90 percent. However, high opium prices driven by this reduction in supply and a remaining addict population of 8-10,000 may stall the effort to end poppy cultivation. Indeed one recent estimate sees a sharp increase in opium production, and the increasingly desperate circumstances of many villages in growing regions are highly favorable to a dramatic reversal of years of progress. Many former poppy cultivators, finding themselves without the assistance they expected, are facing severe food security problems. Robust alternative development assistance over the long term is necessary to assure that Laos eliminates poppy cultivation completely. If aid is not soon forthcoming, many former opium farmers could be forced back into poppy production.

Just as Laos is attempting to eliminate the last of its opium, a new threat has appeared in the form of ATS. The scourge of methamphetamine, locally known as “yaa baa” (crazy medicine), is exploding among the nation's youth, truck drivers, and commercial sex workers. Though previously consumed primarily in tablet form, the United Nations Office for Drugs and Crime (UNODC) reports that injectable types of ATS have begun to appear, raising concerns about HIV transmission. Continued emphasis on drug awareness and addict treatment will be essential to stop the growth in domestic demand.

Laos occupies a strategic position in the center of mainland Southeast Asia, a critical route for traffickers. It must contend with long and remote borders that are very difficult to control. Illicit drugs produced in Burma and diverted precursor chemicals from China flow through landlocked Laos to Thailand and Vietnam. From major ports in these countries, cargoes are smuggled to other nations in the region. The opening of the Kunming-Bangkok Highway in northwest Laos linking China and Thailand and the new bridge at Savannakhet linking Thailand to Vietnam will further aggravate Laos' drug transit problem. The country is challenged to interdict the current flow of illegal goods, and these new high-speed truck routes will likely overwhelm existing border control capacity. More robust law enforcement and better regional cooperation could help, but this will require a substantial investment in both, and Laos may already be a major transit country.

III. Country Actions Against Drugs in 2006

Policy Initiatives. While the Government of Laos (GOL) declared in February 2006 that the nation had “eliminated opium,” a more apt description is that the country no longer produces significant quantities for commercial export. Despite great progress, Laos still has an addict population in excess of 8 thousand, and opium now is produced almost exclusively to meet domestic demand. On October 12, 2006, Prime Minister Bouasone Bouphavanh, in a televised address to the nation, called upon the GOL and the Lao people to undertake immediate and effective action against illicit drugs. He then outlined a new strategy to address the remaining vestiges of opium cultivation and the growing challenge of methamphetamine abuse. His approach appears realistic, and the new policy emphasizes taking action now rather than waiting for donor assistance.

The Prime Minister noted the success Laos had achieved against opium, but cautioned that renewed poppy cultivation remains a threat if the country does not assist former growers to find sustainable livelihoods. He also warned that, if Laos does not act quickly to counter growing methamphetamine abuse, it could become “a chronic problem...too difficult to solve.” Minister Soubanh Srithirath, Chairman of the Lao National Commission for Drug Control and Supervision (LCDC), stated that Laos has reached a critical tipping point, and that the assistance of international donors is needed to insure that the balance moves in the right direction.

The Prime Minister announced that the GOL would move forward with its “Post Opium Scenario Strategy” as a counterdrug policy roadmap through 2020 and outlined ten key points for its implementation:

- 1) Local government agencies in former opium growing areas must monitor and assist poor villages to assure that poppy is not replanted and that sufficient help is provided to aid the villagers as they transition to licit economic activities;
- 2) The remaining opium addicts should be detoxified during 2006-2007;
- 3) Provincial authorities must act promptly to bring cannabis production under control;
- 4) The GOL must launch a public awareness campaign against methamphetamine utilizing TV, radio, print media, community meetings, and workshops;
- 5) Educators must take responsibility for identifying drug-related problems among their students, and integrate drug education into the curriculum;
- 6) LCDC should encourage all organizations--government, Party, and private--including businesses, to focus on preventing drug abuse, particularly among youth;
- 7) LCDC, in coordination with the Ministry of Justice (MOJ), should develop new drug legislation and detailed guidelines for the implementation of all drug-related statutes. In addition, LCDC must coordinate and support the activities of law enforcement agencies, and assure that information is collected, suspect records are maintained, and punishment is imposed in accordance with the law and relevant regulations;
- 8) In coordination with neighboring nations, the GOL must protect Laos' borders against drug smuggling;
- 9) The GOL must establish a trust fund, from both domestic and external sources, to support counterdrug activities; and
- 10) The GOL must increase effective collaboration and coordination among international organizations, donor nations, and neighboring countries to maximize the efficiency of counterdrug programs.

In August 2006, the GOL put forward a draft action plan for development assistance to 1000 former opium growing villages, the poorest in Laos. In response to this plan, members of the Mini-Dublin Group, the World Food Program (WFP), and other international donors met at a roundtable organized by LCDC and UNODC in Vientiane during October 2006. Representatives at the meeting agreed to work together and pledged significant support to the GOL's proposal. The WFP will play a critical role in this initiative, providing short-term emergency assistance in villages with food shortages. Other programs will focus on long-term integrated rural development to address the poverty that is at the root of the opium problem in Laos.

Law Enforcement Efforts. Laos' law enforcement resources remain inadequate to meet the full range of challenges posed by illicit drugs. Laos does not currently possess the means to assess accurately the production, transit, and distribution of ATS and its precursors. The increase in seizures of ATS that transited Laos to neighboring countries and the rapid growth in addiction and methamphetamine-related crime provide what little insight there is into the ATS problem in Laos.

Counter Narcotics Units (CNU), Laos' principle antitrafficking law enforcement assets; remain understaffed, insufficiently trained and poorly equipped to deal with the growing ATS challenge. USG, UNODC, and Chinese Government programs have mitigated training and equipment problems to some extent, but prosecutions are almost entirely of street-level pushers. As with many other developing countries, Laos has demonstrated a serious inability to investigate or develop cases against major traffickers without external assistance and has pursued kingpins only under significant international pressure.

Laos did not make significant progress interdicting illicit drug distribution in 2006. There is no national estimate for illegal drug sales, but secondary evidence, at least in terms of ATS -- such as escalating property crime, the emergence of urban youth gangs, and growing ATS addiction -- indicate that trafficking for internal use is growing. Individuals or small-scale merchants perform the majority of street-level ATS distribution rather than large organized criminal syndicates. There have been reports of some teachers distributing ATS.

Opium distribution is limited, as the majority of addicts are within a producing household or village. There is some opium distribution among villages; especially as remaining opium plots move into more remote and distant locations less accessible to law enforcement agencies. Despite the progress that Laos has made in reducing its addict population, it continues to suffer from one of the highest opium addiction rates in the world. Laos is drafting new statutes to provide a legal basis for asset seizure. Currently prosecutors have no legal means to pursue the assets of convicted traffickers. Extrajudicial asset seizures may occur in some cases. Laos acceded to the United Nations Convention against Transnational Organized Crime (TOC, "the Palermo Convention") in 2003.

Corruption. Corruption in the Lao People's Democratic Republic (PDR), long present in a range of forms, may be rising as the flow of illicit drugs and precursors grows. Civil servants receive very little pay, and those able to use their positions to advantage, particularly police and customs officials, can augment their salaries through corruption. This is especially true in areas distant from central government oversight. Lao law explicitly prohibits corruption, and some officials have been removed and/or prosecuted for corrupt acts. The GOL has made fighting corruption a priority. As a matter of government policy, Laos strongly opposes the illicit production or distribution of narcotics, psychotropic drugs, other controlled substances, and the laundering of money from illegal drug transactions.

Agreements and Treaties. The USG supports crop control, demand reduction, and law enforcement programs under three annual narcotics assistance Letters of Agreement (LOA) with the GOL. Laos is achieving or making an earnest effort to achieve the performance goals listed in

the crop control and demand reduction LOAs, but has achieved less with regard to the goals enumerated in the law enforcement LOA.

Laos has been a party to the UN Drug Convention since December 2004. While Laos moved forward in the control of opium cultivation, production, and addiction, it has yet to achieve all of the objectives of the 1988 UN Drug Convention.

Laos has legal assistance agreements with China, Thailand, Vietnam, Cambodia, Burma, and Indonesia. Membership in ASEAN and APEC has increased the number of bilateral and multilateral legal exchanges for Laos since 2000, and international donor supported training programs are developing the capacity of the Ministry of Justice (MOJ), police, customs, and immigration officials to cooperate with counterparts in other nations. Laos has extradition treaties with China, Thailand, Vietnam, and Cambodia. The GOL has assisted in the arrest and extradition of individuals to some of those nations but does not use formal extradition procedures in all cases. According to the DEA, there were no extraditions from Laos to the United States for narcotics-related offences in 2006. Laos is a party to the UN Convention against Transnational Organized Crime, and its three protocols.

Cultivation/Production. There is conflicting data about poppy cultivation in Laos from 2005 to 2006, and it remains uncertain if Laos can preserve the gains made so far. According to USG figures, the area under cultivation declined from 5600 ha in 2005 to 1700 ha in 2006. This represents a 70 percent reduction in cultivation in just one year. The greatest concentration remained in Phongсалы, the northernmost province in Laos, with lesser amounts in seven other northern provinces.

In strong contrast, the 2006 UNODC survey indicated an increase, from 1,800 ha in 2005 to approximately 2,500 in 2006, a 38 percent gain. Either way, Laos' overall progress in opium elimination over the past 18 years has been commendable. From a high of 42,130 ha when U.S. funded crop control programs began in 1989, the current USG estimate is a 96 percent reduction, and even this year's higher UNODC survey is a 91 percent reduction from the 26,800 ha the UN estimated in 1998. This is an outstanding accomplishment for the country. The current challenge is to ensure this momentum is sustained.

A decline in opium production paralleled that of opium cultivation. The 2006 USG survey projected production of approximately 8.5 metric tons of raw opium gum, a 70 percent decline from the 28 tons in the 2005 estimate. Again, in dramatic contrast, the UNODC survey showed a significant gain, from 14 tons in 2005 to 20 tons in 2006, a 39 percent increase. Still, USG estimates for production represent a 97 percent reduction from the estimated 380 tons produced in 1989. According to USG figures, yields ranged from 3 to 9.5 kg per hectare, with an average yield of 5 kg. The decline from previous years was primarily due to unusually dry weather in opium growing areas. The GOL has reported that because of continuing drought, yields for the 2006-2007 growing season may be as low as 2-3 kg per hectare. Even so, the danger remains that continued demand, coupled with difficult living conditions, will attract farmers to return to poppy cultivation.

Most of the opium produced in Laos is for domestic consumption in areas near its borders, where raw and cooked opium is smoked and eaten, and the percentage of the crop being refined into heroin is small. Sustained high farm gate prices in these areas of \$500 per kg for raw opium reported by UNODC demonstrate that supply is decreasing more rapidly than demand. The GOL has even reported retail prices as high as \$1000 per kg in some areas. Increasing prices may be discouraging some opium use even as it serves as a stimulus to production. According to the UNODC, the result of these higher prices was that overall opium production revenues increased by 49 percent from 2005 to 2006, up to an estimated \$11 million.

USG-supported crop control programs do not employ herbicides or any other form of forced eradication. In the past, when crops were cut, the cultivators themselves or village officials conducted the eradication as a condition of a written agreement between villages and the GOL not to produce opium. However, in 2006 the GOL has said that it may employ forced eradication in some areas where alternative development is not available or has not so far solved the problem.

The USG did not receive any verifiable reports during 2006 of the production of ATS in Laos, but the paucity of law enforcement resources in remote regions makes Laos highly vulnerable to regional traffickers seeking new locations for clandestine labs. Provincial Counter Narcotics Units (CNU) generally number fewer than 20 officers and are responsible to patrol thousands of square kilometers of rugged terrain, a daunting task at best. There may be significant “contract” cannabis production, possibly financed by foreign traffickers in southern Laos, aimed at markets in Cambodia and Thailand. The continuing use of cannabis as a traditional food seasoning in some locations complicates attempts to eradicate the crop.

Drug Flow/Transit. Laos' highly porous borders, dominated by the Mekong River and remote mountainous regions, are notoriously difficult to control and readily facilitate the trafficking of illicit drugs, although there are no reliable estimates of the volume of this flow. According to UNODC, the growth in seizures of drugs, which transited Laos to neighboring countries, may be evidence of an increasing transit problem. The flow includes methamphetamine, heroin, and precursor chemicals bound for other nations in the region. Illicit transit to the U.S. includes very limited quantities of unrefined opium and local formulations of ATS.

The problem is likely to worsen as the transportation infrastructure in Laos improves, especially with the January 2007 opening of the Savannakhet-Mukdahan Bridge and the anticipated opening of the Kunming-Bangkok highway in 2008. The first will speed the passage from Da Nang in central Vietnam to northeast Thailand and its capitol, Bangkok, while the latter will provide a fast route from China to Thailand through Bokeo and Luang Nam Tha Provinces in the northwest. Laos is not a principal destination on either of these routes, but the volume of traffic passing through its territory will be unprecedented, potentially overwhelming Laos' limited law enforcement capacity for border control. Currently, there is no reliable data on the transport or financing of illicit drugs in Laos. Transit costs are low, and anecdotal evidence suggests that some traffickers formerly involved in opium may now be shifting to ATS because it is more mobile, a safer investment, the returns are faster, and the market is growing. There are reports that some former traffickers are moving into legitimate businesses as well as money laundering.

Domestic Programs. Laos made limited advances in 2006 in demand reduction. Most significant was the opening of new 100-bed addiction treatment facilities in Pakse and Savannakhet, the latter constructed entirely with U.S. funding. In addition, Brunei is constructing two smaller treatment facilities in Sayabouri, scheduled for completion in January 2007. Despite this augmentation in Laos' national treatment capacity, existing facilities still fall far short of need and are notably deficient in effective vocational training. Anecdotal evidence suggests that many addicts are turning to crime as a means of supporting their addiction. Without marketable job skills, former addicts become vulnerable to recidivism. The GOL continues to undertake significant nationwide drug awareness programs and media campaigns with U.S. support. The GOL has continued to build its opium treatment and counseling capacity, albeit with very limited resources.

Opium education and detoxification are integral parts of the overall opium elimination campaign and, despite resource constraints, appear appropriately sized if austere for the addict population. GOL figures indicated a general decline to approximately 8,000 opium addicts, though many may remain unreported, either because they reside in extremely remote areas or because they wish to conceal their addictions. Significant impediments to full treatment of all opium addicts include the ill health of many elderly users, the isolated location of some addict populations, and the lack of

sufficient rural health care infrastructure to displace the traditional medicinal use of opium, which often serves as the initial entree into addiction. Detoxification of opium addicts will likely become increasingly difficult as their numbers diminish, for those remaining are likely to be the most resistant to treatment. There are currently no verifiable statistics on post-detoxification recidivism. The GOL hopes to treat all opium addicts before the end of 2007, as ending opium addiction is critical to full elimination of cultivation.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The U.S. has been Laos' strategic partner in the battle against illegal drugs. Since 1989, the USG has provided more than \$42 million to support GOL crop control, demand reduction, and law enforcement programs. Crop control funds have supported opium awareness campaigns, opium detoxification clinics, and the Lao-American Projects (LAP) in Houaphan, Phongsaly and Luang Prahbang Provinces. Only the latter two are still active, and they serve as platforms for long-term integrated rural development that strikes at the primary cause for opium cultivation in Laos: poverty. The U.S.-Lao PDR Crop Control LOA specifically prohibits the use of USG funds to support involuntary resettlement.

Demand reduction funds provide support for enhancements to ATS treatment centers, including vocational training, and a variety of national drug awareness programs. Law enforcement funds support limited operational costs, training, and equipment for Counter Narcotics Units (CNU) and the Customs Department. Historically, the USG has been a major supporter of UNODC programs in Laos, providing up to 70 percent of the funding for several complementary alternative development programs through targeted contributions that played a key role in reducing poppy cultivation. These programs covered a number of districts adjacent to or near the LAPs, where opium was a major threat. However, U.S. assistance to these programs ended in 2005, and their absence or diminished capacity will complicate efforts to prevent a resurgence of opium cultivation.

Bilateral Cooperation. Cooperation on opium crop control was excellent in 2006, and accounted for much of the outstanding progress achieved in eliminating poppy cultivation. The Programme Facilitation Unit (PFU), the GOL entity primarily responsible for alternative development and opium addict detoxification in Laos, demonstrated notable effectiveness in these areas during 2006.

GOL cooperation with the USG on demand reduction was outstanding in 2006. The opening of the new ATS treatment Center in Savannakhet, built with \$600,000 of U.S. funds and the model for future facilities, stands as an example of what this cooperation can achieve. One area in which this relationship might be improved would be a greater commitment by municipal and provincial authorities to provide continuing support for treatment facilities after they are completed, especially for vocational training.

In contrast, while Lao law enforcement was generally cooperative with neighboring countries in 2006, the USG found that the overall level of bilateral cooperation had declined over previous years. The GOL failed to make use of the opportunities for cooperation afforded by the DEA, which continued to provide law enforcement assistance to Lao agencies but received little in return, for example, not a single drug sample in 2006, in contrast to 2005 when DEA received twelve. In addition, the GOL repeatedly failed to take advantage of fully-funded local and regional training opportunities offered by the USG.

Exceptions to this generally bleak picture were cooperation with select CNU and the Customs Department, which remained strong and information provided to DEA on two cases involving attempts to smuggle opium into the U.S. The UNODC, through the PFU, enjoys a close working relationship on counter narcotics with the GOL. GOL officials consult frequently with the UNODC on narcotics control issues and strategy, and UNODC continues to support an array of crop control,

demand reduction, and law enforcement programs throughout the country. Laos participated in a bilateral counternarcotics conference with Thailand and a trilateral conference with Vietnam and Cambodia.

The Road Ahead. Laos' struggle against opium is in its later stages but is not over yet, as the GOL has stated publicly. To secure the victory over opium, robust alternative development must be sustained for the next 2 to 4 years. In many districts, villages have stopped cultivation or self-eradicated because of an implied promise of government support. UNODC reported that many villagers survived the loss of opium income by consuming their savings, generally in the form of livestock, and these savings are now depleted. Severe food shortages are occurring in some villages. If assistance is not soon forthcoming, former growers may revert to opium cultivation, and it will be much more difficult to persuade them to stop a second time.

Fortunately, at the October 2006 Mini-Dublin Group Roundtable in Vientiane, donors pledged to refocus millions of dollars in development aid on the poorest villages in Laos, which include almost all of those still producing opium. The World Food Program also stated that it would make every effort to provide emergency assistance to these same villages.

Laos does not have the law enforcement resources it needs to battle ATS, and it will have to rely on effective demand reduction to stem the tide of “yaa baa” sweeping the country for the foreseeable future. Existing programs to educate youth on the dangers of addiction must be enlarged. Treatment needs to be more available. More robust programs that train and equip law enforcement officers more effectively and improve the efficiency of the criminal justice system could help Laos to fight corruption, arrest major traffickers, better secure its borders, interdict the flow of illicit drugs transiting the nation, and cooperate more effectively with international partners. Without a substantial investment in law enforcement capacity, Laos will be unable to provide an effective deterrent to regional drug traffickers.

V. Statistical Tables

2006 GOL figures for seizures include only January-June.

- Heroin	8.122 kg
- Opium	0 kg
- ATS	1,433,467 tablets
- Total drug cases	135 cases

Opium cultivation in 2006

- Cultivation	2,500 ha
- Eradicated	1,518 ha
- Harvestable after eradication	982 ha
- Potential opium gum	7.856 tons
- Potential cannabis yield	<8 kg/ha

Drug crop cultivation	<u>2006</u>	<u>2005</u>	<u>2004</u>
- Cultivation(ha)	982	5,600	10,000

- Eradication (ha)	1,518	4,400	2,000
- Potential opium gum (metric tons)	7.856	28	49

Seizures

- Heroin (kg)	8.122	22.76	55
- Opium (kg)	0	31.20	43
- Cannabis (kg)	209.5	1.6	1.806
- Methamphetamine (tablets)	1,433,467	1,870,305	3,020,000

Arrests	284	N/A	227
----------------	-----	-----	-----

Drug cases	135	130	79
-------------------	-----	-----	----

Malaysia

I. Summary

Malaysia is not a significant source country or transit point for U.S.-bound illegal drugs, though domestic abuse in Malaysia itself is on the rise and Malaysian labs are increasing methamphetamine production. The government has established a “drug-free by 2015” policy. Malaysia's competent counter narcotics officials and police officers have the full support of senior government officials. Cooperation with the U.S. on combating drug trafficking is good. The U.S. maintains active and successful programs for training Malaysian counter narcotics officials and police. Malaysia is a party to the 1988 UN Drug Convention.

II. Status of Country

While Malaysian officials have expressed concern about rising rates of drug addiction in their country, Malaysia is not a significant source country or transit point for U.S.-bound illegal drugs. Narcotics imported to Malaysia include heroin and marijuana from the nearby Golden Triangle area, and other drugs, such as amphetamine type stimulants (ATS), including crystal methamphetamine, Ecstasy and Ketamine from India. These imports either transit Malaysia bound for other markets such as Thailand, Singapore, China and Australia, or are consumed domestically. The drugs of choice for Malaysian users are heroin, 36.4 percent, morphine, 25.1 percent, marijuana, 22.8 percent and methamphetamines, 10.5 percent, according to government statistics.

The Malaysian government identified 19,369 drug addicts during the first ten months of 2006 through reporting from police, community organizations, and treatment centers, over 20 percent less than last year's total for the same period. Of these, 10,741 were repeat drug offenders. Seventy-nine percent were between 19 and 39 years of age and 68 percent had not completed secondary education.

III. Country Actions Against Drugs in 2006

Policy Initiatives. Malaysia continues a long-term effort launched in 2003 to reduce domestic drug use to negligible levels by 2015. Senior officials including the Prime Minister speak out strongly and frequently against drug abuse. The Prime Minister chairs the Cabinet Committee on Eradication of Drugs, composed of 20 government ministers. The National Anti-Drugs Agency (NADA) is the policy arm of Malaysia's counter narcotics strategy, coordinating demand reduction efforts with various cabinet ministries. Malaysian law stipulates a mandatory death penalty for major drug traffickers, with harsh mandatory sentences also applied for possession and use of smaller quantities. In practice however, many minor offenders are placed into treatment programs instead of prison.

Accomplishments. Malaysian authorities, with support from U.S. and Australian law enforcement, seized a major methamphetamine manufacturing facility. Malaysia and the United States signed a mutual legal assistance treaty (MLAT) in July 2006 that should enhance and facilitate law enforcement cooperation in the future.

Law Enforcement Efforts. Police arrested 37,631 people for drug-related offenses between January and October 2006, a 4.55 percent decrease from the same period in 2005. Enforcement officials seized substantially larger amounts of ATS and marijuana, but there was a modest decrease in the amount of heroin confiscated. There was also a decrease in the amount (-12.2 percent) and value (-84.1 percent) of confiscated property derived from drug related cases.

Malaysian police and prosecutors are effective in arresting small-time drug offenders, and are examining ways to prosecute larger crime rings. Suspected traffickers continue to be detained under Malaysia's "special preventive measures," which allow for detention without trial of suspects who pose a threat to national security. Local officials report that customs officials are being provided with test kits that will allow them to identify and interdict some illicit precursor chemicals during importation.

Corruption. While Malaysian and foreign media organizations continued to highlight cases of government corruption in general, no senior officials were arrested for drug-related corruption in 2006.

Agreements and Treaties. Malaysia is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by its 1972 Protocol, and to the 1971 UN Convention Against Psychotropic Substances. Malaysia has an MLAT with Australia, and signed an MLAT with the U.S. In 2006, which has not yet entered into force because it is now before the Senate for ratification. Malaysia also has a multilateral MLAT with seven Southeast Asian nations. Malaysia is a party to the ASEAN MLAT. The U.S.-Malaysia Extradition Treaty has been in effect since 1997, though no extradition has yet occurred under that treaty. The United States submitted its first request for extradition for Wong Wok Wing in April 2006. Wong is wanted to stand trial in the Eastern District of New York for heroin trafficking. He was arrested in December 2006 and his committal hearing is scheduled to begin on February 12, 2007.

Cultivation/Production. While there is no notable cultivation of drugs in Malaysia, ATS production is believed to be on the rise.

Drug Flow/Transit. Drugs transiting Malaysia do not appear to make a significant impact on the U.S. market. However, Malaysia's proximity to the heroin production areas and methamphetamine labs of the Golden Triangle leads to smuggling across Malaysian borders, destined for Australia and other markets. Ecstasy from Amsterdam is flown into Kuala Lumpur International Airport (KLIA) for domestic use and distribution to Thailand, Singapore, and Australia. Ketamine comes from India and is exported to several countries in the region. There is evidence of increased transit of cocaine though police are only beginning to develop information on this trend. Production of ATS in Malaysia is on the rise, as evidenced by the elimination of another large methamphetamine lab in 2006 and the seizure of a substantial quantity of precursor chemicals awaiting use at that lab.

Domestic Programs (Demand Reduction). The NADA targets its demand reduction efforts toward youth, parents, students, teachers, and workers, with extensive efforts to engage schools, student leaders, parent-teacher associations, community leaders, religious institutions, and workplaces. Government statistics indicate that 4,645 persons were undergoing treatment at Malaysia's 29 public rehabilitation facilities as of October 2006; the second consecutive year there has been a substantial decrease.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. counternarcotics training continued in 2006 via the International Law Enforcement Academy (ILEA) in Bangkok and the "Baker-Mint" program sponsored by the U.S. Department of Defense Baker-Mint aims to raise the operational skill level of local counter narcotics law enforcement officers. In September 2006, U.S. officials from the Department of Justice, DEA, and FBI presented a training workshop for Malaysian prosecutors on conspiracy prosecutions in an effort to enhance Malaysia's utilization of existing laws as a deterrent to organized crime. In addition, USCG conducted basic and advanced boarding officer training for Malaysian maritime law enforcement officers.

Road Ahead. United States goals and objectives for the year 2007 are to improve coordination and communication with U.S. law enforcement authorities in counternarcotics efforts. United States

law enforcement agencies will utilize better coordination with Malaysian authorities to interdict drugs transiting Malaysia, and to follow regional and global leads. U.S.-funded counter narcotics training for Malaysian law enforcement officers will continue and U.S. agencies will continue working with Malaysian authorities to improve Malaysia's investigative and prosecutorial processes.

V. Statistical Tables (data for period from January to October 16.)

Total Arrest for Drug Related Offenses:

2005:	39,425	
2006:	37,631	-4.55 percent

Drug Abusers (total and new) Arrested:

2005: Total =	25,243		New =	11,579
2006: Total =	19,369	-23.27%	New =	8,628 -25.49%

Drug Abusers by Age (change from 2005):

<13:	0		
13-17:	264	1.18%	(- 2.58%)
18-24:	3,693	19.50%	(-19.31%)
25-39:	10,073	53.17%	(-25.56%)
>39:	4,916	25.94%	(-21.49%)

Drug Abusers by Highest Education Level Attained (change from 2005):

No school:	453	2.86%	(-17.18%)
Primary School:	3,014	19.03%	(-22.28%)
Some High School:	7,331	46.28%	(-25.73%)
HS graduate:	4,626	29.20%	(-23.88%)
A Level graduate:	133	0.84%	(-43.64%)
Diploma holder:	200	1.26%	(- 5.21%)
Degree holder:	37	0.23%	(- 5.13%)

Drug Abusers by Drug Type (change from 2005):

Heroin:	7,042	36.36%	(-35.60%)
Morphine/opium:	4,862	25.10%	(-23.20%)
Marijuana:	4,414	22.79%	(14.00%)
Methamphetamine:	2,040	10.53%	(-21.87%)
Amphetamine:	187	0.97%	(- 3.61%)
Ecstasy (MDMA):	130	0.67%	(-60.00%)
Psychotropic pills:	528	2.73%	(-16.98%)
Codeine:	157	0.81%	(-52.57%)

Confiscated Drugs (change from 2005):

Heroin No. 3 (kg):	193.34	(- 9.31%)
Heroin No. 4 (kg):	0	(1.74 kg in 2005)
Opium (kg):	0.29	(- 92.66%)
Marijuana (kg):	2,238.76	(124.22%)
Methamphetamine (kg):	38.47	(290.28%)
Yaba (pills):	226,964	(147.44%)
Ecstasy (pills):	1,257,804	(1,048.30%)
Psychotropic pills:	52,454	(-84.85%)
Eramine 5 (pills):	63,129	(-85.84%)
Codeine (liters):	10,443	(-19.61%)
Ketamine (kg):	188.34	(-98.80%)
Cocaine (kg):	2.13	(-58.24%)

Mongolia

I. Summary

Drug trafficking and abuse are not widespread in Mongolia, but continue to rise and draw the attention of the government. Mongolia's young, burgeoning urban population is especially vulnerable to the growing drug trade. The government continues to implement the National Program for fighting Narcotics and Drugs adopted in March 2000. The initial five-year plan was completed in 2005, but the government has not yet decided on any changes for the next period. The National Council headed by the Chief of Police coordinates implementation of this program. The program is aimed at preventing drug addiction, drug related crimes, creating a legal basis for fighting drugs, implementing counternarcotics policy, and raising public awareness of the drug abuse issue. Mongolia is a party to the 1988 UN Drug Convention.

II. Status of Country

Mongolia's long unprotected borders with Russia and China are vulnerable to all types of illegal trade, including drug trafficking. Police believe most smuggled drugs come from China, and are carried by Mongolian citizens. Illegal migrants, mostly traveling from China through Mongolia to Russia and Europe, also sometimes transport and traffic in drugs. Police express particular concern that, if drug use in Mongolia continues to rise, organized crime involvement in the trade will grow beyond the current low levels. The government has made the protection of Mongolia's borders a priority. U.S.-sponsored projects to promote cooperation among security forces and training have provided some assistance. A lack of resources and technical capacity, along with corruption in the police forces and other parts of government, hinder Mongolia's ability to patrol its borders, detect illegal smuggling, and investigate transnational criminal cases.

III. Country Actions Against Drugs in 2006

Policy Initiatives/Law Enforcement. The Mongolian Government and law-enforcement officials have increased their participation in international fora focused on crime and drug issues. Mongolia became a member of the Asia-Pacific Group (APG) on Money Laundering in 2004 and has committed to adhere to Financial Action Task Force (FATF) standards, while seeking participation and eventual membership in the FATF. The APG conducted an initial peer review of Mongolia late in 2006. Mongolia passed an anti-money laundering law in July, and began to work toward implementation.

Corruption. Mongolian internal corruption and related criminal activity appear unrelated to narcotics activities. An anticorruption law was passed in July and entered into force on November 1, but a new anticorruption agency had not yet begun operations by the end of the year. The weakness of the legal system and financial structures leaves Mongolia vulnerable to exploitation by drug traffickers and international criminal organizations, particularly those operating in China and Russia. The reopening of the North Korean Embassy in Ulaanbaatar in August 2004 also heightens concern that the North Korean government, through its Embassy in Ulaanbaatar, may again seek (as it did in the late-1990s) to finance North Korean diplomatic and other activities through narcotics trafficking, counterfeiting or other illicit activity.

Agreements and Treaties. Mongolia is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by its 1972 Protocol, and the 1971 UN

Convention on Psychotropic Substances. Mongolia also is a party to the UN Convention against Corruption. The government of Mongolia attempts to meet the goals and objectives of international initiatives on drugs. The United States and Mongolia have in force a customs mutual legal assistance agreement.

Drug Flow/Transit. Marijuana is the most widely used illegal drug. A small amount of marijuana is grown in Mongolia, and appears to be consumed locally. Reports indicate that the availability and use of marijuana, heroin, cocaine, amphetamines, and abused over-the-counter drugs have increased. However, no reliable surveys exist of drug usage, nor is there any official database of drug convictions. The Mongolian government is alert to precursor chemical production and the potential for diversion. The government has closed some facilities suspected of diverting chemicals.

Demand Reduction. Domestic, nongovernmental organizations work to fight drug addiction and the spread of narcotics abuse. International donors are working with the government to help Mongolia develop the capacity to address narcotics and related criminal activities before they become an additional burden on Mongolia's development.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. U.S. government assistance has included international visitor programs on transnational crime and counternarcotics, as well as some training by U.S. law enforcement agencies.

The Road Ahead. The United States will continue to cooperate closely with Mongolia to assist Mongolia with the implementation of its counternarcotics policies.

North Korea

I. Summary

For decades, North Koreans have been arrested for trafficking in narcotics and engaging in other criminal behavior and illicit activity, including passing counterfeit U.S. currency and trading in copyrighted products. There were no confirmed instances of drug trafficking involving North Korea or its nationals during 2006. Anecdotal evidence suggests that trafficking and drug abuse in the DPRK and along its border with China continues. There also continued to be press, industry and law enforcement reporting of DPRK links to counterfeit cigarette trafficking and counterfeit U.S. currency. In May 2006, Japanese authorities charged several individuals with a 2002 narcotics trafficking incident, based, in part, on evidence found on a sunken DPRK patrol boat. In August 2006, a defendant in a California criminal case told the court that he had promised to provide \$2 million in counterfeit “supernotes” originating in the DPRK to undercover U.S. agents, and investigators seized that amount. The Department is of the view that it is likely, but not certain, that the North Korean government has sponsored criminal activities in the past, including narcotics production and trafficking, but notes that there is no evidence for several years that it continues to traffic in narcotics. The DPRK is not a party to the 1988 UN Drug Convention.

II. Status of Country

During 2006, there were numerous reports in the Japanese media of drug trafficking along the DPRK/Chinese border. According to these reports, Japanese criminal figures were traveling to the DPRK-PRC border area to purchase methamphetamine for smuggling back to Japan. The Department is unable to confirm the accuracy of these reports, and if true, the reports seem to involve small-scale trafficking by individuals, not large-scale organized trafficking managed by the state. Another indication that narcotics abuse and trafficking in the DPRK and along its border with China may be on the rise is a new decree published in the DPRK in March 2006, which warns citizens, state factories and groups in the DPRK to “...not sell, buy, or use drugs illegally.” According to the decree, “Organizations, factories and groups should not illegally produce or export drugs.” Punishment is severe, up to death, and the family members and shop mates of offenders face collective responsibility and punishment with the perpetrator. The DPRK also has an existing antinarcotics law. The appearance of this new decree, its draconian penalties, and the fact that it is signed by the DPRK’s National Security Council suggest that drug use and trafficking within the DPRK itself has come to the attention of authorities, and is viewed as a problem requiring a serious response.

The “Pong-Su” incident in Australia in April 2003 renewed worldwide attention to the possibility of DPRK state-sponsorship of drug trafficking. The “Pong Su”, a sea-going cargo vessel owned by a North Korean state enterprise, was seized after delivering a large quantity of pure heroin to accomplices on shore. The trial of the “Pong Su” captain and other senior officers, including a DPRK Korean Workers’ Party Political Secretary, concluded in March 2006 with the captain and the others found not guilty by an Australian jury. Four other defendants associated with the incident pled guilty, and are serving long prison sentences in Australia. These defendants included three individuals who were apprehended in possession of heroin brought to Australia aboard the “Pong Su”, and another individual who came to Australia aboard the “Pong Su”, and was apprehended on the same beach where some of the heroin was found. The “Pong Su” itself was destroyed by Australian military aircraft, as property forfeited to Australia because of its involvement in narcotics trafficking.

In May 2006, Japanese prosecutors charged Woo Sii Yun, an ethnic Korean and long-term resident of Japan, and Katsuhiko Miyata, reputedly a Japanese gang member, with involvement in several

2002 methamphetamine drug smuggling incidents. The 2002 smuggling incidents involved several instances of DPRK vessels leaving hundreds of kg of methamphetamine drugs to float offshore for pick-up by criminals in Japan. The police were led to Yun by the discovery of his phone number stored in the memory of a cell phone found aboard a DPRK patrol boat that sunk after a gun battle with the Japanese Coast Guard in late 2001. Alerted to Yun's possible involvement in narcotics trafficking with DPRK accomplices, Japanese police investigated his financial records and found several large payments from criminal elements in Japan. Japanese officials suspect these payments were for drugs from North Korea. Japanese authorities also suspect the sunken DPRK patrol boat of involvement in earlier instances of methamphetamine trafficking to Japan. The charges against Yun connect the DPRK more closely to methamphetamine smuggling to Japan, as key lead information - Yun's phone number - was found aboard a North Korean patrol vessel.

Cigarette smuggling linked to the DPRK continued on a worldwide scale. For example, Greece uncovered four million cartons of contraband cigarettes through the fall of 2006, of which three million were aboard North Korean flagged vessels.

A California man pled guilty in a federal district court in California in August of 2006 to conspiring to smuggle counterfeit currency into the United States. He agreed to a statement read in court, which stated that during the investigation leading to his arrest, he had promised to provide an undercover agent \$2 million in high-quality counterfeit U.S. \$100 bills or "supernotes, manufactured in the DPRK. Investigators seized precisely that amount of counterfeit currency in the port of Los Angeles.

These examples of non-narcotics-related acts of criminality suggest that there is recent evidence of significant DPRK involvement in criminal behavior, even if no large-scale narcotics trafficking incidents have come to light. Department has no evidence to support a finding that drug trafficking has stopped. It is also certainly possible that DPRK entities previously involved in narcotics trafficking recently have adopted a lower profile or better operational security.

III. Country Actions Against Drugs in 2006

DPRK officials have ascribed past instances of misconduct by North Korean officials to the individuals involved, and stated that these individuals would be punished in the DPRK for their crimes. A 2004 edition of the North Korean Book of Law contains the DPRK's Narcotics Control Law, and the DPRK government in 2006 re-affirmed its intent to punish drug traffickers severely, including with the death penalty, by issuing a new special decree in March 2006, signed by the DPRK's National Security Council. There is no information available to the Department concerning enforcement of these laws or other legal actions taken against North Korean officials and citizens involved in drug trafficking in DPRK, or upon the return of North Korea citizens to the DPRK.

IV. U.S. Policy Initiatives and Programs

The United States has made it clear to the DPRK that it has concerns about the DPRK's involvement in a range of criminal and illicit activities, including narcotics trafficking, and that these activities must stop. The United States thoroughly investigates all allegations of criminal behavior impacting the United States by DPRK citizens and entities, prosecutes cases under U.S. jurisdiction to the fullest extent of the law, and urges other countries to do the same.

The Philippines

I. Summary

Philippine law enforcement authorities continued to focus efforts on disrupting major trafficking organizations and dismantling large clandestine drug labs. The Government of the Philippines (GRP) reports that arrests and seizures declined in 2006, attributable to its strategy of focusing on key traffickers and producers rather than a larger number of less important targets. The Philippine government continues to build the capacity of the Philippine Drug Enforcement Agency (PDEA), established by the GRP in 2002, and its first 55 agents are scheduled to graduate in early 2007 from the PDEA Academy. Based on evidence developed during police operations in which drugs were seized during 2006, the Philippines continues to be a producer of crystal methamphetamine. There is some evidence that terrorist organizations may use drug trafficking to fund their illicit activities. Philippine National Police (PNP) and Philippine Air Force officials express a desire to eradicate marijuana cultivation but lack fuel for helicopters necessary to access remote sites in the mountains of Luzon and Mindanao. The Philippines is a party to the 1988 UN Drug Convention.

II. Status of Country

Because of continued aggressive efforts to seize clandestine drug labs in Metro Manila, the supply of crystal methamphetamine, locally known as “shabu,” has decreased. The Philippine Dangerous Drug Board reports that the current price of “shabu” has more than doubled since 2005. However, drug agents directly involved in narcotics investigations believe that methamphetamine production has moved to the provinces. They report methamphetamine can still be obtained at near-2005 prices in many areas; and at prices even less than last year, in areas where labs are located, such as central Mindanao.

Most of the precursor chemicals for meth production are smuggled into the Philippines (or illegally diverted after legal importation), from the People's Republic of China (PRC) and Hong Kong. However, ephedrine is also smuggled from India. There are seven identified transnational drug syndicates in the country. At least five foreign major drug lords from the PRC and Taiwan are in each group. The Philippines is a transshipment point for further export of methamphetamine of foreign manufacture to Australia, Canada, Japan, Korea, and the U.S. (including Guam and Saipan). According to law enforcement officials, intelligence exists indicating that other transnational drug groups may be planning to establish methamphetamine producing laboratories in the country.

Dealers sell methamphetamine in crystal form for smoking (“shabu”). No production or distribution of methamphetamine in tablet form (“yaba”) has been reported in the Philippines. Producers typically make methamphetamine in clandestine labs through a hydrogenation process that uses palladium and hydrogen gas to refine the liquid chlorephedrine mixture into crystal form. However, an August 2006 clandestine lab seizure in Quezon Province, east of Metro Manila, showed that clandestine laboratory operators are also using another production variation using red phosphorus.

The Philippines produces, consumes, and exports marijuana. According to law enforcement sources, the shortage of shabu has increased the demand for marijuana, resulting in higher market prices. Marijuana grows naturally in mountainous areas inaccessible to vehicles. Philippine authorities continue to encounter difficulties eliminating production. Although Philippine National Police and Philippine Air Force officials express a desire to eradicate marijuana cultivation, they lack fuel for helicopters necessary to access remote sites in the mountains of Luzon and Mindanao. Generally, insurgent groups, such as the New People's Army (NPA), control and protect many

marijuana plantation sites in their areas of operations. Most of the marijuana produced in the Philippines is for local consumption, with the remainder smuggled to Australia, Japan, Malaysia, and Taiwan.

Methyl-dioxy-methamphetamine (MDMA), commonly known as Ecstasy, is slowly gaining popularity among affluent members of the Philippine society, mainly in exclusive bars and clubs. There appeared to be no significant change in availability in 2006 and enforcement efforts remained constant. Since 2001, a total of 10,275 Ecstasy tablets have been seized.

The Philippine Dangerous Drug Board classified Ketamine as a “dangerous drug” on October 1, 2005. Ketamine, legally imported for use as a veterinary anesthetic, is converted to the illicit crystal form from its legal liquid form in the Philippines and exported to other countries in the region. There is little or no market for Ketamine as a drug of abuse in the Philippines. Since 2003, five Ketamine processing facilities have been seized in Metro Manila. This year, Philippine authorities seized approximately 10 kg of Ketamine destined for Taiwan at Manila International Airport, validating reports of drug traffickers using the Philippines for Ketamine conversion. A total of 28 kg of Ketamine were seized in 2006.

III. Country Actions Against Drugs in 2006

Policy Initiatives. The administration of President Gloria Macapagal Arroyo continues to concentrate on the full and sustained implementation of counternarcotics legislation and the development of the Philippine Drug Enforcement Administration (PDEA) as the lead counternarcotics agency.

In 2002, President Arroyo created by executive order the Philippine National Police's (PNP) Anti-Illegal Drugs Special Operations Task Force (AIDSOTF). The AIDSOTF mission is to maintain law enforcement pressure on narcotics trafficking while PDEA becomes fully functional by 2007. In 2006, PDEA began training its first academy class, which will provide approximately 55 new newly-trained recruits as PDEA agents.

The GRP has developed and is implementing a counternarcotics master plan known as the National Anti-Drug Strategy (NADS). The NADS is executed by the National Anti-Drug Program of Action (NADPA) and contains provisions for counternarcotics law enforcement, drug treatment and prevention, and internal cooperation in counternarcotics, all of which are objectives of the 1988 UN Drug Convention. In 2006, cities, towns, and barangays (neighborhoods) continued to utilize antidrug law enforcement councils, as mandated by NADPA, to heighten community awareness.

Law Enforcement Efforts. Counternarcotics law enforcement remains a high priority of the GRP, but lack of resources continues to hinder operations. However, law enforcement efforts are relatively effective given the limited funding. PDEA officials believe ILEA and JIATF-West training for law enforcement and military personnel have helped make interdiction operations more efficient and effective. GRP law enforcement agencies continued to target major traffickers and clandestine drug labs in 2006, instead of going after a larger number of less important street pusher targets, as was the practice before 2005. Significant successes included the disruption by PNP's AIDSOTF of a flourishing drug market in a predominantly Muslim neighborhood in Pasig City (which operated within yards of the city hall and police station), and the seizure by the National Bureau of Investigation of a “shabu” laboratory being serviced by fishing vessels in the area of Dingalang, in Aurora Province.

Current Philippine laws regarding electronic surveillance and bank secrecy restrict Philippine enforcement agencies from using electronic surveillance and obtaining bank information on suspected drug lords. The 1965 Anti-Wiretapping Act prohibits the use of wiretapping as well as consensual monitoring of conversations and interrogations as evidence in court. Additionally, there are no provisions to seal court records to protect confidential sources and methods. Most drug busts

are the results of information from disgruntled insiders who voluntarily give leads to the Philippine authorities.

The most crippling operational weakness of PDEA is the lack of a functioning laboratory. Dismissals, arrests, and resignations have robbed the laboratory of experienced staff. In addition, lab equipment is outdated and inadequate. Lab chemists can only perform field tests, normally conducted by arresting officers at a crime scene in the U.S. The Japanese International Cooperation Agency has donated a sophisticated gas chromatograph mass spectrometer scanner to PDEA, but PDEA uses the device for training and research, rather than evidence analysis. In addition, the lack of a functioning lab means there is no adequate storage facility for evidence.

Pervasive problems in the law enforcement and criminal justice system such as corruption, low morale, inadequate salaries, and lack of cooperation between police and prosecutors also hamper narcotic prosecutions. The slow process of prosecuting narcotics cases not only demoralizes law enforcement personnel, but also permits drug dealers to continue their drug business while awaiting court dates. By the time a case gets to trial, witnesses often have disappeared or been persuaded through extortion or bribery to change their testimony. The Comprehensive Dangerous Drug Act prohibits plea-bargaining in exchange for testimony, once a suspect has been charged. There is therefore no incentive for a defendant to plead guilty and offer testimony against superiors in the drug trafficking organization. This makes pursuing conspiracy investigations to the upper levels of the conspiracy very difficult. A severe lack of experienced investigators in PDEA further inhibits investigations.

The Philippines has a long history of insurgent/terrorist involvement in drug trafficking activity. The communist New People's Army (NPA) has reportedly been involved in large-scale marijuana cultivation in the Cordilleras Region of Northern Luzon since the mid-1980's. The NPA has generated funding from the drug trade from a variety of means, including extortion of traffickers in the form of a "revolutionary" tax for providing security to marijuana plantation, and direct participation in marijuana cultivation, processing, and operations. Current information from PNP and AFP sources indicates that NPA involvement in the marijuana trade continues in North Luzon and Southern Mindanao.

The terrorist Abu Sayyaf Group (ASG) is linked to drug trafficking activity. PNP officials believe elements of the ASG are engaged in providing security for marijuana cultivation, protection for drug trafficking organization (DTO) operations, and local drug distribution operations, particularly in Jolo and Tawi-Tawi. Recent information from Philippine police and military officials suggests that the ASG continues to provide protection for major drug trafficking groups operating in the Sulu Archipelago as well as local drug trafficking activity, in exchange for cash payments that help fund their own operations.

In July 2005, the DEA Manila Country Office and Joint Inter-Agency Task Force-West (JIATF-W) developed a network of information fusion centers in the Philippines. The primary facility, the Maritime Drug Enforcement Coordination Center (MDECC) is located at PDEA Headquarters in Metro Manila. There are two satellite centers, called Maritime Information Coordination Centers (MICCs): one is located at the headquarters of the Naval Forces Western Mindanao, Zamboanga Del Sur (Southern Mindanao) and another at Poro Point, San Fernando, La Union (Northern Luzon). These centers gather information about maritime drug trafficking and other forms of smuggling, and provide actionable target information that law enforcement agencies can use to investigate and prosecute drug trafficking organizations. Officers from the Philippine Navy, Coast Guard, PNP-Maritime Group, and PDEA staff these facilities.

The Philippine authorities dismantled three clandestine methamphetamine mega-laboratories and one warehouse in 2006, compared to seven smaller laboratories in 2005. A mega-lab is defined as a

clandestine laboratory capable of producing 1,000 kg or more in one production cycle. GRP law enforcement officials cite three factors behind the existence of domestic labs:

- a. The simplicity of the process in which ephedrine can be converted into methamphetamine on a near one-to-one conversion ratio;
- b. The crackdown on drug production facilities in other methamphetamine-producing countries in the region;
- c. The relative ease, increased profit, and lesser danger of importing precursor chemicals for methamphetamine production (ephedrine/pseudoephedrine), compared to importing the finished product.

PDEA reports that in 2006, authorities seized 1,436 kg of methamphetamine, which they valued at \$143,518,183 (at \$100 per gram), 27.89 kg of Ketamine, which they valued at \$2,789,328 (at \$100 per gram), and 11,675 kg of marijuana leaves, which they valued at \$5,837,684 (at US\$0.50 per gram). Philippine authorities claimed to have seized total narcotics worth approximately \$158,092,142, arrested 8,616 people for drug related offenses, and filed 3,834 criminal cases for drug crimes in 2006. By comparison, 15,268 individuals were arrested in 2005, but most of these were lower level offenders. Data on convictions was not available. PRC- and Taiwan-based traffickers remain the most influential foreign groups operating in the Philippines. Philippine authorities had previously reduced transnational drug syndicates in the country from 181 to 156; in 2006, they disrupted the operations of two additional drug syndicates.

Corruption. Corruption among the police, judiciary, and elected officials continues to be a significant impediment to Philippine law enforcement efforts. The GRP has criminalized public corruption in narcotic law enforcement through its Dangerous Drug Act (DDA), which clearly prohibits GRP officials from laundering proceeds of illegal drug actions. Four PDEA employees were arrested in 2006 for the theft of seven kg of seized methamphetamine from PDEA headquarters. These personnel have been detained and charges have been filed against them. Ten PDEA and PNP AIDSOTF officers were arrested in October 2006 for conducting illegal (warrant-less) drug raids, and for kidnapping the subjects of those raids. Both the PNP and PDEA have begun internal policing (Internal Affairs Sections) for corruption. There are also indications that drug money may be funding illicit aspects of provincial and local political campaigns, such as vote buying, bribery of election officials, ballot theft, and voter intimidation.

As a matter of government policy, the Philippines does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drug or other controlled substances, or the laundering of proceeds from illegal drug transactions.

No known senior official of the GRP engages in, encourages, or facilitates the illicit production or distribution of narcotic or psychotropic drug or other controlled substances, or the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. The Philippines is a party to the 1988 UN Drug Convention, as well as to the 1971 UN Convention on Psychotropic Substances, the 1961 UN Single Convention on Narcotic Drugs, and the 1972 Protocol Amending the Single Convention. The Philippines is a party to the UN Convention against Transnational Organized Crime and its protocols against trafficking in persons and migrants smuggling. The U.S. and the GRP continue to cooperate in law enforcement matters through a bilateral extradition treaty and mutual legal assistance treaty. The Philippines ratified the UN Convention Against Corruption in November 2006.

Cultivation/Production. There are at least 120 marijuana cultivation sites spread throughout the mountainous areas of nine regions of the Philippines. In 2006, Philippine law enforcement performed 36 marijuana eradication operations. Using manual techniques to eradicate marijuana,

government entities claim to have successfully uprooted and destroyed 564,562 plants and seedlings in 2006, compared to 9,677,852 plants and seedlings in 2005. They also confiscated 103 kg of seeds in 2006 compared to 264 kg of seeds in 2005.

Drug Flow/Transit. The Philippines is a narcotics source and transshipment country. Illegal drugs enter the country through seaports, economic zones, and airports. The Philippines has over 36,200 kilometers of coastlines and 7,000 islands. Vast stretches of the Philippine coast are virtually unpatrolled and sparsely inhabited. Traffickers use shipping containers, fishing boats, and cargo ships (which off-load to smaller boats) to transport multi-hundred kg quantities of methamphetamine and precursor chemicals. AFP and law enforcement marine interdiction efforts are hamstrung by deficits in equipment, training, and intelligence sharing. The Philippines is also a transshipment point for further export of crystal methamphetamine to Japan, Australia, Canada, Korea, and the U.S. (including Guam and Saipan). Commercial air carriers and express mail services remain the primary means of shipment to Guam and to the mainland U.S., with a typical shipment size of one to four kg. There has been no notable increase or decrease in transshipment activities in 2006.

Domestic Programs/Demand Reduction. The Comprehensive Dangerous Drug Act of 2002 includes provisions that mandate drug abuse education in schools, the establishment of provincial drug education centers, development of drug-free workplace programs, and other demand reduction classes. Abusers who voluntarily enroll in treatment and rehabilitation centers are exempt from prosecution for illegal drug use. Statistics from rehabilitation centers will be submitted later.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The USG's main counternarcotics policy goals in the Philippines are to:

- a. Work with local counterparts to provide an effective response to counter the burgeoning clandestine production of methamphetamine;
- b. Cooperate with local authorities to prevent the Philippines from being used as a transit point by trafficking organizations affecting U.S.;
- c. Promote the development of PDEA as the focus for effective counternarcotics enforcement effort in the Philippines;
- d. Provide ILEA, JIATF-West, and other drug-related training for law enforcement and military personnel;
- e. Develop an improved statutory framework for control of drug and precursor chemicals.

Bilateral Cooperation. The U.S. assists the Philippine counternarcotics efforts with training, intelligence gathering and fusion (i.e., coordination centers), and infrastructure development.

Road Ahead. The USG plans to continue work with the GRP to promote law-enforcement institution building and encourage anticorruption mechanism via JIATF-West presence as well as ongoing programs funded by the Department of State (narcotics and counterterrorism assistance, and USAID). Strengthening the bilateral counternarcotics relationship serves the national interest of both the U.S. and the Philippines.

Singapore

I. Summary

The Government of Singapore (GOS) enforces stringent counter narcotics policies through strict laws, vigorous law enforcement, and active prevention programs. Singapore is not a producer of precursor chemicals or narcotics, but as a major regional financial and transportation center, it is an attractive target for money launderers and drug transshipment. Corruption cases involving Singapore's counter narcotics and law enforcement agencies are rare, and their officers regularly attend U.S.-sponsored training programs as well as regional forums on drug control.

Narcotics trafficking and abuse are decreasing in Singapore. According to GOS statistics, the number of drug abusers arrested decreased by 17 percent to 793 in 2005, down from 955 in 2004. That was the lowest number recorded in 20 years. The number of new abusers arrested also decreased, by 25 percent to 453 in 2005. One notable exception, however, is the increase in synthetic drug abuse (to include methamphetamine, MDMA (Ecstasy), Erimin-5 and Nimetazepam). In 2005, 79 percent of the total offenders arrested were involved with synthetic drugs, as compared with 56 percent in 2004. Singapore is a party to the 1988 UN Drug Convention.

II. Status of Country

In 2006, there was no known production of illicit narcotics or precursor chemicals in Singapore. While Singapore itself is not a known transit point for drugs or precursor chemicals, it is the busiest transshipment port in the world. The sheer volume of cargo passing through makes it likely that some illicit shipments of drugs and chemicals pass through undetected. With few exceptions, Singapore does not screen containerized shipments unless they enter its customs territory.

III. Country Actions Against Drugs in 2006

Policy Initiatives. Singapore has continued to pursue a strategy of demand and supply reduction for drugs. Singapore has worked closely with numerous international groups dedicated to drug education, including the Partnership for a Drug-Free America. In addition to arresting drug traffickers, Singapore focuses on arresting and detaining drug abusers for treatment and rehabilitation, providing drug detoxification and rehabilitation, and offering vigorous drug education in its schools. Singaporeans and permanent residents are subject to random drug tests. The Misuse of Drugs Act (MDA) gives the Singapore Central Narcotics Bureau (CNB) the authority to commit all drug abusers to rehabilitation centers for mandatory treatment and rehabilitation. Since 1999, individuals testing positive for consumption of narcotics have been held accountable for narcotics consumed abroad as well as in Singapore.

In an effort to curb rising synthetic drug abuse, Singapore enacted stricter penalties in 2005 for first-time and repeat synthetic drug offenders, including up to 10 years imprisonment and caning. The penalties for trafficking in synthetic drugs are less severe than for trafficking of cocaine, heroin, and marijuana, for which offenders can be subject to the death penalty.

On August 14, 2006, the GOS classified Buprenorphine, the active ingredient in Subutex, as a Class A Controlled Drug under the First Schedule of the Misuse of Drugs Act. This means that, unless dispensed by a licensed physician or practitioner, the importation, distribution, possession and consumption of Subutex is a felony offense. Subutex is a heroin substitute clinically used in the detoxification/rehabilitation of heroin addicts.

Law Enforcement Efforts. Singapore narcotics officials consider declines in arrests and seizures as signs of successful law enforcement efforts. As noted above, arrests for drug-related offenses declined 17 percent from 955 in 2004 to 793 in 2005. These statistics include persons arrested for

trafficking offenses, possession, and consumption. Despite the overall downward trend, arrests for methamphetamine offenses increased 14 percent. Seventy-nine percent of drug arrests in 2005 involved synthetic drugs, including Nimetazepam (26 percent of total arrests); Ketamine (24 percent); Methamphetamine (18 percent); and MDMA or Ecstasy (11 percent). This is the first time that arrests for Nimetazepam exceeded those for Ketamine. Non-synthetic drug-related arrests included marijuana (13 percent), heroin (8 percent), and cocaine (0.4 percent).

In 2005, authorities executed 48 major operations, during which they dismantled 27 drug syndicates. A majority of these arrests were conducted during sweeps of synthetic drug distribution groups, which were infiltrated by undercover Singapore narcotics officers. Singapore narcotics officers frequently perform undercover work, purchasing small, personal use amounts of narcotics from distributors. These sweeps often produce additional arrests when subjects present at arrest scenes test positive for the presence of narcotics in their system.

Corruption. Neither the government nor any senior government officials engage in, encourage or facilitate the production or distribution of narcotics or other controlled substances, or the laundering of proceeds from illegal drug transactions. The CNB is charged with the enforcement of Singapore's counter narcotics laws. The CNB and other elements of the government are well-trained professional investigators.

Agreements and Treaties. Singapore is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs, the 1972 Protocol amending the Single Convention, and the 1971 UN Convention on Psychotropic Substances. Singapore and the United States continue to cooperate in extradition matters under the 1931 U.S.-UK Extradition Treaty. Singapore and the United States signed a Drug Designation Agreement (DDA) in November 2000, a mutual assistance agreement limited to drug cases. Singapore has signed mutual legal assistance agreements with Hong Kong and ASEAN. The United States and Singapore have held discussions on a possible bilateral MLAT, most recently in December 2005, although there have been no formal negotiations since 2004. Singapore has signed but has not yet ratified the UN Convention against Transnational Organized Crime and the UN Corruption Convention. In April 2006, Singapore amended domestic legislation to allow for mutual legal assistance cooperation with countries for which they do not have a bilateral treaty.

Cultivation/Production. There was no known cultivation or production of narcotics in Singapore in 2004 or 2005.

Drug Flow/Transit. Singapore is one of the busiest seaports in the world. Approximately 80 percent of the goods flowing through its port are in transit or are transshipped and do not enter Singapore's customs area. Due to the extraordinary volume of cargo shipped through the port, it is highly likely that some of it contains illicit materials. Singapore does not require shipping lines to submit data on the declared contents of transshipment or transit cargo unless there is a Singapore consignee to the transaction. The lack of such information makes enforcement a challenge. Customs authorities rely on intelligence to discover and interdict illegal shipments. GOS officials have been reluctant to impose tighter reporting or inspection requirements at the port from concern that inspections could interfere with the free flow of goods, thus jeopardizing Singapore's position as the region's primary transshipment port. However, Singapore has increased its scrutiny of goods. In January 2003, Singapore's new export control law went into effect. The GOS plans to expand its strategic goods control list in January 2008. While both the law and the control list seek to prevent the flow of WMD-related goods, they introduce additional monitoring of some transshipped cargo. In March 2003, Singapore became the first Asian port to commence U.S. Container Security Initiative (CSI) operations, under which U.S. Customs personnel prescreen U.S.-bound cargo. While this initiative also is aimed at preventing WMD from entering the United States, the increased scrutiny and information it generates could also aid drug interdiction efforts.

The Government of Singapore participates in the precursor chemical control programs, including Operation Purple, Operation Topaz, and Operation Prism. The CNB works closely with DEA to track the import of modest amounts of precursor chemicals for legitimate processing and use in Singapore. CNB's precursor unit monitors and investigates any suspected domestic diversion of precursors for illicit use. The CNB also monitors precursor chemicals that are transshipped through Singapore to other regional countries, although, as noted above, data on transshipment and transit cargo are limited. Singapore notifies the country of final destination before exporting transshipped precursor chemicals.

Domestic Programs (Demand Reduction). Singapore uses a combination of punishment and rehabilitation against first-time drug offenders. Many first-time offenders are given rehabilitation instead of jail time, although the rehabilitation regime is mandatory and rigorous. The government may detain addicts for rehabilitation for up to three years. In an effort to discourage drug use during travel abroad, CNB officers may require urinalysis tests for Singapore citizens and permanent residents returning from outside the country. Those who test positive are treated as if they had consumed the illegal drug in Singapore.

Adopting the theme, "Prevention: The Best Remedy," Singapore authorities organize sporting events, concerts, plays, and other activities to reach out to all segments of society on drug prevention. Drug treatment centers, halfway houses, and job placement programs exist to help addicts reintegrate into society. At the same time, the GOS has toughened anti recidivist laws. Three-time offenders face long mandatory sentences and caning. Depending on the quantity of drugs involved, convicted drug traffickers may be subject to the death penalty, regardless of nationality.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Singapore and the United States continue to enjoy good law enforcement cooperation. In fiscal year 2005, approximately 25 GOS law enforcement officials (including 14 from the CNB) attended training courses at the International Law Enforcement Academy (ILEA) in Bangkok on a variety of transnational crime topics. In addition, CNB officers attended a Drug Unit Commanders course in Quantico, Virginia and an International Narcotics Enforcement Managers course in Honolulu, Hawaii. The GOS has cooperated extensively with the United States and other countries in drug money laundering cases, including some sharing of seized drug-related funds discovered in Singapore banks.

The Road Ahead. The United States will continue to work closely with Singapore authorities on all narcotics trafficking and related matters. Increased customs cooperation under CSI and other initiatives will help further strengthen law enforcement cooperation.

South Korea

I. Summary

Narcotics production or abuse is not a major problem in the Republic of Korea (ROK). However, reports continue to indicate that an undetermined quantity of narcotics is smuggled through South Korea enroute to the United States and other countries. South Korea has become a transshipment location for drug traffickers due to the country's reputation for not having a drug abuse problem. This combined with the fact that the South Korean port of Pusan is one of the region's largest ports makes South Korea an attractive location for illegal shipments coming from countries which are more likely to attract a contraband inspection upon arrival. In response, the South Korean government has taken significant steps to thwart the transshipment of drugs through its territory. The ROK is a party to the 1988 UN Drug Convention.

II. Status of Country

Drugs available in the ROK include methamphetamine, heroin, cocaine, marijuana, and club drugs such as LSD and Ecstasy. Methamphetamine remains the drug of choice, followed in popularity by marijuana. Heroin and cocaine are only sporadically seen in the ROK. Club drugs such as Ecstasy and LSD continue to be popular among college students. No clandestine labs have been found in the ROK since 2004 and it is believed that most of the LSD and Ecstasy used in South Korea comes from North America or Europe.

III. Country Actions Against Drugs 2006

Policy Initiatives. In 2006, the Korean Food and Drug Administration (KFDA) continued to implement stronger precursor chemical controls under amended legislation approved in 2005. The KFDA focused its efforts on educating companies and training its regulatory investigators on the enhanced regulations and procedures for monitoring the precursor chemical program.

Law Enforcement Efforts. The number of persons arrested in South Korea in the first nine months of 2006 for narcotics use was 768, for psychotropic substance use 4,501, and for marijuana use 640. ROK authorities seized 18.2 kg of methamphetamine. Ecstasy seizures continued to decline drastically, from 20,385 tablets in 2004, to 9,795 tablets in 2005, to 319 tablets in 2006. Marijuana seizures declined slightly, from approximately 10 kg in 2005 to 8.7 kg in 2006. (Figures provided are from the first nine months of the year. Total figures for 2006 are not available.) South Koreans do generally not use heroin and cocaine is used only sporadically, with no indication of its use increasing.

Corruption. There were no reports of corruption involving narcotics law enforcement in the ROK in 2006. As a matter of government policy, the ROK does not encourage or facilitate illicit production or distribution of narcotic or psychotropic or other controlled substances, or the laundering of proceeds from illegal drug transactions.

Agreements and Treaties. South Korea has extradition treaties with 23 countries and mutual legal assistance treaties in force with 18 countries, including the United States. South Korea is a party to the 1988 UN Drug Convention, the 1971 UN Convention on Psychotropic Substances, and the 1961 UN Single Convention, as amended by its 1972 Protocol. South Korea has signed, but has not yet ratified, the UN Convention on Transnational Organized Crime and the UN Convention against Corruption. Korean authorities exchange information with international counternarcotics agencies such as the United Nations Office on Drugs and Crime (UNODC) and the International Criminal Police Organization (INTERPOL), and have placed Korean National Police and/or Korea Customs Service attaches in Thailand, Japan, Hong Kong, China, and the United States.

Cultivation/Production. Legal marijuana and hemp growth is licensed by local Health Departments. The hemp is used to produce fiber for traditional hand-made ceremonial funeral clothing. Every year, each District Prosecutor's Office, in conjunction with local governments, conducts surveillance into suspected illicit marijuana growing areas during planting or harvesting time periods to limit possible illicit diversion. In the first nine months of 2006, local authorities seized 3,783 marijuana plants, up slightly from 3,464 in 2005. Opium poppy production is illegal in South Korea, although poppy continues to be grown in Kyonggi Province where farmers have traditionally used the harvested plants as a folk medicine to treat sick pigs and cows. Opium is not normally processed from these plants for human consumption. Korean authorities continue surveillance of opium poppy-growing areas and seized 29,162 poppy plants in the first nine months of 2006.

Drug Flow/Transit. Few narcotic drugs originate in South Korea, and none are known to be exported. However, the ROK does produce and export the precursor chemicals acetone, toluene, and sulfuric acid. Most Koreans who attempt to smuggle methamphetamine into South Korea travel from China, and on a few occasions, the smugglers have indicated that the methamphetamine originated in North Korea and was transshipped through China. A majority of the LSD and Ecstasy used in South Korea has been identified as coming from North America or Europe. People living in metropolitan areas are known to use marijuana originating in South Africa and Nigeria, whereas those living in rural areas appear to obtain their marijuana from locally produced crops. There have been instances in past years of transshipment through South Korea of some chemical precursors, including potassium permanganate and acetic anhydride from China to Mexico and Turkey, but there were no reports of such activities in 2006.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives and Programs. The U.S. Embassy's Drug Enforcement Administration (DEA) Seoul Country Office and U.S. Immigration and Customs Enforcement (ICE) officials work closely with ROK narcotics law enforcement authorities, and the DEA considers this working relationship to be excellent.

Bilateral Cooperation. The DEA Seoul Country Office has focused its 2006 efforts on international drug interdiction, seizures of funds and assets related to illicit narcotics trafficking, and the diversion of precursor chemicals in South Korea and in the Far East region. The DEA Seoul Country Office organized, coordinated, and hosted a one-week training seminar on International Asset Forfeiture and Money Laundering Investigations. This training was co-hosted by the Korean Supreme Prosecutors Office (KSPO) with 50 prosecutors, investigators, and analysts from the Korea Financial Intelligence Unit, KSPO, Korean Customs Service (KCS), Korean National Intelligence Service (KNIS), and the Korean National Police Agency (KNPA) in attendance. The DEA Seoul Country Office also held two, one-week training seminars on Chemical Control and Precursor Chemical Diversion, co-hosted respectively by the KCS and the KFDA. Approximately 100 agency directors, scientists, supervisors, section chiefs, analysts, senior investigators, and regulatory investigators attended.

The DEA in Seoul recently completed a modified controlled delivery of crystal methamphetamine originally intended for transshipment through South Korea from China to Guam. Working with the KSPO, KNIS, and KCS, the investigation resulted in the dismantling of an international crystal methamphetamine organization in South Korea and in the United States. The DEA Seoul Country Office continues to share intelligence regarding the importation of precursor chemicals into South Korea from the United States and other Asian countries with the KFDA, KCS, KSPO, and KNIS. DEA also works closely with the KSPO and KCS in their activities to monitor airport and drug transshipment methods and trends, including the use of international mail by drug traffickers.

The Road Ahead. ROK authorities have expressed concern that the popularity of South Korea as a transshipment nexus may lead to greater volume of drugs entering Korean markets. Korean authorities fear increased accessibility and lower prices could stimulate domestic drug use in the future. The DEA Seoul Country Office will continue its extensive training, mentoring, and operational cooperation with the ROK authorities.

Taiwan

I. Summary

There is no evidence to suggest that Taiwan is reverting to a transit/trans-shipment point for drugs bound for the U.S. However, domestic usage and seizures of psychotropic drugs like ketamine and MDMA increased in 2006. Taiwan Customs and counternarcotics agencies work closely with their DEA counterparts, guided by the Mutual Legal Assistance Agreement (MLAA) between the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office (TECRO) in the U.S. As part of the Drug Signature program, DEA received several samples of heroin, MDMA and methamphetamine in 2006, demonstrating Taiwan's commitment to fully implement a 2004 provision that permits samples of narcotics seized in Taiwan to be provided to other law enforcement agencies for testing and analysis. Although no controlled deliveries were conducted this year, other significant investigations resulting in narcotics seizures and drug intelligence collection were reported. Taiwan is not a member of the UN and therefore cannot be a party to the 1988 UN Drug Convention. Nevertheless, the Taiwan authorities have amended existing legislation, and passed new legislation consistent with the goals and objectives of this Convention.

II. Status of Taiwan

Taiwan's role as a major transit/transshipment point for narcotics has diminished due to law enforcement efforts and the availability of alternate routes within southern China. Taiwan authorities continue to strengthen antinarcotics efforts with enhanced airport interdiction, coast guard and customs inspections, surveillance and other investigative methods. Some drugs, however, continue to transit Taiwan enroute to Japan and the international market. The People's Republic of China (PRC), the Philippines, North Korea, Thailand and Burma remain the primary sources of drugs smuggled into Taiwan. In 2006, Taiwan law enforcement and customs agencies continued to seize drug shipments originating from Thailand and Burma as well as identifying heroin shipments seized in Thailand destined for the Taiwan market.

III. Actions Against Drugs In 2006

Policy Initiatives. Taiwan's Legislative Yuan (LY) again failed to enact any new counternarcotics legislation in 2006 due to protracted infighting between the two major political blocs in the LY. Legislation that would permit the use of confidential sources of information and enable undercover operations is no longer being considered, and a proposal aimed at establishing a unified drug enforcement agency modeled after the U.S. DEA remains stalled by the infighting. However, within the Executive Yuan (EY), an Anti-Drug Council was established to coordinate and approve an island-wide antidrug strategy. The council held its first meeting in June 2006 and developed an antidrug policy focusing on four major areas: drug enforcement; drug abuse rehabilitation; an antidrug awareness campaign; and international counternarcotics cooperation and chemical control. The EY Anti-Drug Council is tentatively scheduled to hold meetings at least twice a year to discuss and review progress on these four antidrug initiatives.

Law Enforcement Efforts. In the absence of a single drug enforcement agency, the Ministry of Justice continues to lead Taiwan's counternarcotics efforts with respect to manpower, budgetary and legislative responsibilities. The Ministry of Justice Investigation Bureau (MJIB), the National Police Administration Criminal Investigation Bureau (NPA/CIB), Foreign Affairs Police Bureau, Aviation Police Bureau, Coast Guard Administration and Customs, however, all contributed to counternarcotics efforts in 2006. MJIB and NPA/CIB continue to cooperate on joint investigations and openly share information with their DEA counterparts. In October 2006, a joint investigation

involving MJIB, the Taiwan Coast Guard and DEA culminated with the seizure of 240 kg of ketamine from a Taiwan fishing vessel. The timely exchange of intelligence allowed the Taiwan authorities to track the shipment of ketamine from India and seize it before it reached the port of Kaohsiung in southern Taiwan. From January through September 2006, Taiwan authorities seized 160.69 kg of methamphetamine, 258.45 kg of semi-processed amphetamine, 120.48 kg of heroin, 3.21 kg of MDMA, 159.42 kg of ketamine, and 3.36 kg of marijuana.

Corruption. There is no indication that the Taiwan authorities, as a matter of policy, either encourage or facilitate the illicit production or distribution of narcotics, psychotropic drugs or other controlled substances, nor launder proceeds from illegal drug transactions. No cases of official involvement in narcotics trafficking or the laundering of proceeds from illicit drug transactions were reported in 2006.

Agreements. In 1992, AIT and its counterpart, TECRO, signed a Memorandum of Understanding on Counternarcotics Cooperation in Criminal Prosecutions. The AIT and TECRO Customs Mutual Legal Assistance Agreement signed in 2001 entered into force in March 2002.

Drug Flow/Transit. Thailand, Burma, and North Korea remain the principal sources for heroin, but there is increasing evidence that heroin is also being smuggled into Taiwan from Cambodia and Vietnam. The PRC, Philippines, and Malaysia are seen as intermediary smuggling points for methamphetamine and psychotropic drugs, such as ketamine and MDMA, destined for Taiwan. India is also emerging as a primary source for diverted pharmaceutical-grade liquid ketamine, which is typically converted to a powdered form in the Philippines and Malaysia and then smuggled into Taiwan or other international markets. Fishing boats, cargo containers and couriers remain the primary means of smuggling these types of drugs into Taiwan, but there has also been a marked increase in the number of drug seizures at Taiwan's international airports. Most of the drugs smuggled into Taiwan appear to be for local consumption; the remainder is intended for further distribution to international markets, especially Japan. Figures issued by Taiwan's Department of Health indicate that heroin and methamphetamine use has remained relatively unchanged in 2006, but the use of psychotropic drugs like ketamine and MDMA has increased. Similarly, heroin and methamphetamine seizures decreased in 2006, while seizures of ketamine increased. Seizures of both domestically produced methamphetamine and methamphetamine that was imported from mainland China remained at the same levels in 2006.

Domestic Programs. The Ministry of Education and the Taiwan National Health Administration continue to forge partnerships with various civic and religious groups to raise awareness about the dangers of drug-use and educate the public about the availability of treatment programs. One of Taiwan's main antidrug strategies in 2006 focused on the establishment of Drug Abuse Prevention Centers in each city or county government as a means to raise awareness and coordinate the antidrug efforts at the local level.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. Working with the local authorities to prevent Taiwan from reverting to its earlier status as major transit / transshipment point for U.S.-bound narcotics remains the primary goal of U.S. counternarcotics policy. Counternarcotics training and institution building have proven to be the cornerstones of this policy. In September 2006, the DEA provided advanced narcotics in-service training to over one hundred officers from various Taiwan law enforcement and customs agencies. The training highlighted regional drug trends and provided new insights on money laundering investigations, intelligence collection techniques, and precursor chemical control matters. The DEA also sponsored two Coast Guard Administration agents and one NPA/CIB agent to attend drug intelligence training at the Justice Training Center in Quantico, Virginia in 2006. Taiwan law enforcement and customs agencies enjoy a close working relationship with the DEA and AIT's Regional Security Office. Agents from MJIB, NPA/CIB and the Coast Guard

Administration all participated in joint investigations and shared intelligence with their DEA counterparts in 2006, resulting in several significant drug seizures and arrests in Taiwan and throughout the EAP region.

Road Ahead. AIT and DEA anticipate building upon and enhancing what is already an excellent working relationship with Taiwan's counternarcotics agencies. Besides an advanced narcotics in-service seminar, the DEA has also provided clandestine lab safety training and precursor chemical training to Taiwan counterparts with the intent of creating an island-wide clandestine lab response capability. In the coming year, the DEA fully expects to conduct additional training in the areas of drug intelligence analysis, smuggling methods, tactical raid planning, as well as training for financial and money laundering investigations. This training will strengthen the investigative abilities of Taiwan's law enforcement agencies while, at the same time, promoting continued cooperation and information exchange in the counternarcotics effort. More intelligence exchange and jointly conducted investigations are anticipated in 2007. DEA will also continue to promote the Drug Signature Program to receive samples of drugs seized in Taiwan.

Thailand

I. Summary

Thailand remains one of the United States' foremost partners in combating drug trafficking and international crime. Thai-U.S. bilateral cooperation is exemplary, and joint investigations are routinely conducted between Thai counternarcotics entities and the U.S. Drug Enforcement Administration (DEA). Thai authorities cooperate with all major international narcotics control efforts. For its part, the United States contributes significantly to Thai counternarcotics efforts by providing funding, equipment, training, professional expertise, drug intelligence and personnel resources. This partnership between the two countries has over the decades led to remarkable degrees of cooperation that continue to evolve, broaden, and mature.

The United States government removed Thailand from the U.S. list of major drug producing countries in the late 1990s because of the country's success in limiting opium cultivation to its current low levels, and from the list of major drug transit countries in 2004 when it was apparent that local trafficking in and through Thailand had no significant impact on the United States. There is, effectively, no cultivation or production of heroin, methamphetamine or other drugs in Thailand today although Burma-based trafficking organizations still use Thailand as a transit nation and a market for sale of drugs produced in Burma. The primary drugs of concern today in Thailand are amphetamine type stimulants (ATS), which although less widespread than a few years ago are still readily available across the country. "Club drugs" such as Ecstasy and ketamine are of continuing concern, and mainly used by some affluent Thai and foreign visitors.

Narcotics traffickers transiting drugs through the Kingdom pose a continuing challenge to efficient Thai enforcement agencies. As the Thai agencies succeed with suppression in targeted areas, the smuggling routes change in response. Heroin continues to move across southern China destined for Thailand and beyond, while methamphetamine, and to a lesser degree, heroin moves from Burma into Laos via the Mekong River and Lao highways, and into Cambodia or Thailand. Some opium also enters Thailand from Laos, and marijuana is trafficked into/through Thailand from both Cambodia and Laos. This modification of smuggling routes over the past three years is a testament to the effectiveness of Thai authorities at investigating and interdicting cross-border drug shipments.

The September 19 bloodless military coup that removed Prime Minister Thaksin Shinawatra from power had little apparent effect on Thai efforts to combat illicit narcotics. U.S. counternarcotics assistance was suspended immediately after the coup in order to review the applicability of U.S. law. After an interagency review in Washington, a decision was made to resume most counternarcotics assistance after a short hiatus. However, the United States and other countries have criticized a system adopted by Thai law enforcement authorities since 2004 that pays officials personal reward payments for making seizures of drug and other money laundering proceeds. The United States has, in addition, suspended technical assistance to Thailand's AntiMoney-Laundering Office (AMLO), as well as forfeited asset sharing based on cooperation by the AMLO, until the reward system is suspended. Thailand is a party to the 1988 UN Drug Convention.

II. Status of Country

Use of low-dosage methamphetamine pills made of caffeine, filler, and methamphetamine known locally as "ya ba" or "crazy medicine," remains steady at last year's level, and fairly widespread in Thailand. In contrast, there is some indication of reduced levels of heroin trafficking.

The region's largest drug producer, the Burma-based United Wa State Army (UWSA), publicly pledged to eliminate opium poppy cultivation by the end of 2005, and in fact appeared to reduce poppy cultivation, although it was not eliminated by their self-proclaimed target date. Despite a substantial decrease in opium production, there appeared to be a push to move more heroin through Thailand and into Malaysia beginning in 2005, and to a lesser degree 2006. It appeared to some that Burma-based trafficking organizations were trying to make last-minute profits from the heroin trade while diversifying their production capacity to more profitable synthetic drugs that are not subject to the vagaries of cultivation.

The shift in drug production in the region has had an impact on drug abuse and transit patterns in Thailand. “Ya ba” methamphetamine tablets are quite widely used in Thailand and likely remain the most used illicit substance in the country. However, the consumption rates and volumes have declined since former Prime Minister Thaksin's controversial drug war of 2003. Prices today remain three times what they were prior to Thaksin's “drug war” and demand is down across much of the country. There are, however, some exceptions to this trend. DEA reporting in May 2006 suggested that in some provinces methamphetamine tablets were making a comeback and a poll carried out by Bangkok's Assumption University indicated that use, mostly by young people, of “ya baa” methamphetamine tablets in Bangkok and three adjoining provinces might have risen as much as 700 percent in the past three years. The poll suggested that the increase was due to a lull in police attention in the wake of the apparently successful “Drug War.”

At the same time, there has been an increase in crystal methamphetamine “ice” seizures, though Thai officials believe most of the “ice” seized was destined for markets outside the country. “Ice” abuse in Thailand is still restricted primarily to entertainment districts in the larger cities. “Ice” is smoked in a fashion similar to crack cocaine and costs \$50 to \$107 per gram on the street or \$6970 - \$10,720 per kg, wholesale. The “ice” that transits Thailand for regional markets usually goes to established markets in Malaysia, Indonesia, Singapore, the Philippines, Taiwan and Japan.

Methamphetamine in its pill form is still the drug of choice in Thailand, although there is some demand for Ecstasy and a small market for cocaine. Ecstasy arrives in Thailand from a variety of sources including Cambodia, Malaysia, Burma, Europe and Canada. The cocaine market in Thailand, like that of Ecstasy, is still primarily restricted to some wealthy Thai and foreigners. A large percentage of the cocaine arriving in Thailand is actually in transit for other regional countries such as Japan, Korea and China. Although the cocaine market is still largely controlled by West African criminal organizations, South Americans (Peruvians, Bolivians and Colombians) have become much more engaged in Thailand and the region than ever before. There has also been a noticeable rise in money laundering efforts by Colombians and other South Americans in Thailand.

Marijuana is still a staple of use in Thailand. Sold and consumed quietly without much attention, a steady market remains across most of Thailand. It is still used by some as a flavoring ingredient in curries and noodle soup.

Drug users in Thailand, similar to those in other Asian countries, also look for alternatives to more commonly used drugs that might be less expensive or more easily available locally. In Thailand, two alternatives are routinely used to varying degrees. In southern Thailand, kratom leaves from a local plant are chewed much like coca leaves in the Andean region of South America to create a mild “high.” Kratom enjoys regional popularity in the south, but is not widely used in other parts of Thailand. Another alternative more commonly used throughout the country is ketamine, which is used by veterinarians as an anesthesia. Ketamine has become widely used throughout Asia by those seeking an alternative “high” without the same criminal liabilities as other controlled substances. It is found in both liquid and powder forms, and most of the ketamine used in Thailand is produced in India. Besides being a tranquilizer, it has hallucinogenic side effects and is often used by those

engaged in the party scene because it is cheaper and considered less dangerous than Ecstasy. Ketamine causes distorted perceptions of sight and sound and makes the user feel disconnected and out of control. The coordination and senses of ketamine users are impaired for up to 24 hours while the hallucinogenic effects can last 90 minutes. Finally, although they are not always listed as a controlled substance, there is significant abuse of inhalants such as glue that impoverished users turn to, as it is readily available.

The degrees of availability of the drugs mentioned above are a reflection of the dynamic interplay of drug supply, interdiction efforts and demand factors. Thai government analysis concluded that as of June 2006 as many as 38 sites in northern Thailand were being used to store an assortment of drugs, awaiting orders or distribution. There were also unconfirmed Thai reports of nearly 80 million methamphetamine tablets, 450 kg of “ice” and nearly 2,000 kg of heroin available in storage that could readily be transported to international markets or distributed for internal Thai consumption as opportunities arise. Even if these estimates are unconfirmed, Thailand appears to remain an important regional transit country for illicit drugs.

III. Country Actions Against Drugs in 2006

Policy Initiatives. There were initiatives in alternative development, treatment and policing. Thailand is a recognized regional leader for its development and implementation of counterdrug programs including alternative crop development, treatment, demand reduction, interdiction and enforcement, and its commitment to cooperation with neighboring nations.

Thailand hosted three important events in 2006: the 27th ASEAN Senior Officials on Drug Matters, the 5th Asian Youth Congress, and the 16th International Federation of Non-Governmental Organizations (IFNGO) ASEAN NGO Workshop - the later two in cooperation with the U.S. Department of State and the U.S.-funded Colombo Plan. These meetings convened over a thousand participants from a dozen nations and helped strengthen regional cooperation, demand reduction strategies, and operational techniques. The ASEAN Senior Officials meeting highlighted alternative development — an area in which Thailand has demonstrated remarkable success over the years.

Two royally-supported development projects in north Thailand continued to develop and provide sustainable agricultural programs to highland populations that were once dependent on opium poppy cultivation as a source of income as well as a source of drugs for their own consumption. The royal projects and Mae Fa Luang Foundations have for several decades carried out programs of education, skills training, environmental conservation, cultural preservation, tourism and humanitarian activities in order to ensure that ethnic hill-tribe farmers continue to have viable alternatives to poppy cultivation as well as a steadily increasing standard of living. Coffee, fruits, vegetables, flowers, and handicrafts provide realistic and sustainable alternatives to drug trafficking.

Another royal initiative, The Mae Fa Luang Foundation has developed successful dynamic market-driven projects in the Golden Triangle area since 1988, and extended crop-substitution programs on a limited scale to Burma’s Shan State with the cooperation of local leaders beginning two years ago, and claims to show positive results. The foundation also began to explore possible development models based on animal husbandry to a province in Afghanistan with the hope of countering opium growing there, as well. Similarly, the Royal Projects Foundation also began conducting its own crop-substitution project in Afghanistan financed by a modest U.S. Department of State grant. The program, still at the data research stage, is aimed at offering to local farmers viable alternatives to growing opium. Both projects have carried out thoughtful initial steps toward their goals, but are currently constrained in what they can accomplish by the terrorist violence in Afghanistan.

Thailand also leads the way in establishment of alternatives to incarceration for drug offenders. While traffickers are dealt with strictly, drug abusers and addicts are now by policy given alternative to incarceration by the courts. Thailand employs community and family-based outpatient treatment, boot camp rehabilitation and traditional drug treatment centers. Thai abuse-treatment professionals employ a realistic approach, recognizing that regional differences in education, religion, traditions and family mores argue against a “one size fits all” approach to drug education and rehabilitation.

The Royal Thai police and Ministry of Justice are engaged in a new initiative to upgrade and improve capacity and management of their respective forensic crime laboratories’ with expertise and financial assistance from the U.S. Government. This effort is aimed at improving the accuracy of evidence collection and analysis. Better case preparation and presentation will facilitate the successful prosecution of drug cases as well as other complicated criminal cases.

Law Enforcement Efforts. Thailand's regional efforts at border interdiction and law enforcement coordination include improved policing of the Thai-Lao borders in the north and northeast regions of the country. Markedly improved cross-border operational communications along the Mekong River has developed within the past year, fostered in part by the inauguration of scheduled joint Lao-Thai river patrols using U.S. Government-purchased boats and other non-lethal equipment. Lao and Thai border law enforcement authorities now benefit from improved contacts and better communications tools, including cellular telephones and handheld radios that facilitate cross-border operational communications.

Drugs are commonly transported into northern Thailand via couriers and caravans utilizing the vast mountainous jungle trail networks, and are increasingly transshipped through Laos and Cambodia from where they are introduced into northeastern and eastern Thai towns. Once inside Thailand, the drugs are transported to Bangkok and other distribution areas by vehicle. Use of the mail system also continues to be a common means for moving drugs within and out of the country.

Thai law enforcement authorities have employed extensive training and modern equipment to respond to this threat. A wide assortment of counter narcotics tools, including confidential sources, undercover operations, controlled deliveries and court-authorized wiretaps, are available and are used in drug suppression and interdiction. Thai agencies also adjust their strategy and tactics to meet the changing threat from modern-day drug trafficking groups as the traffickers adapt and alter their own operations. When traffickers shifted their smuggling routes to Laos and Northeast Thailand, Thai authorities quickly moved enforcement capacity to those areas. A new USG-outfitted drug intelligence center in northeastern Thailand will further bolster counter narcotics coordinating and operational capabilities.

Several investigations during 2006 reflect the effectiveness of Thai authorities in conducting counter narcotics operations.

- In January, agents from the Department of Special Investigation, Office of the Narcotics Control Board (ONCB) and Anti-Money Laundering Office (AMLO) arrested five Thai businessmen in Songkhla province, seizing assets worth over \$20,500,000. The group was allegedly involved in heroin, methamphetamine, and Ecstasy distribution and their assets were suspected to have been obtained with drug proceeds.
- In January, Thai immigration officers at Bangkok International Airport arrested a Ghanaian male with 2 kg of cocaine and 400 grams of marijuana after his arrival on an inbound flight.

- In April, police Narcotics Suppression Bureau (PNSB) agents, supported by a DEA-sponsored Sensitive Investigative Unit (SIU) in Bangkok arrested four individuals and seized 38 kg of crystal methamphetamine in the seaside resort town of Pattaya.
- In May, PNSB/SIU agents in Bangkok arrested two Thai nationals and seized 94,600 tablets of methamphetamine in Bangkok. Officers also seized the Thai equivalent of approximately \$36,484 and a vehicle.
- In July, SIU, DEA and other Thai counterparts seized 330,000 methamphetamine tablets (33 kg) and arrested six Thai nationals during two separate controlled deliveries.
- In August, Thai authorities seized eight kg of cocaine from four Peruvian males and two Peruvian females at the Bangkok International airport. This pattern of cocaine smuggling increased during 2006.
- Also in August, an investigation by SIU and DEA units in northern Thailand culminated in the seizure of 14 kg of heroin and two vehicles in Hat Yai, south Thailand. Five persons were arrested, including four Malaysian nationals and one Thai national.

Corruption. As a matter of government policy, Thailand does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of drug proceeds, either by individuals or government agencies. Additionally, no senior official of the Thai government is known to engage in, encourage, or facilitate the illicit production or distribution of narcotic or psychotropic drugs or other controlled substances or the laundering of proceeds from drug transactions.

Corruption remains a problem in Thai society, nonetheless, and is frequently chronicled by press reports, high-profile court cases and anecdotal information although such reported incidents are rarely drug-related. Still, some drug-related corruption is likely, given the volume and value of drugs consumed in and moving through Thailand.

One example occurred in 2006: Thai provincial police arrested a Thai male with 1,800 tablets of methamphetamine, and subsequent investigation revealed the source of the drugs to be a provincial police officer. Police set up a sting operation, which led to the arrest of two Narcotics Suppression Bureau officers, who subsequently led officers to a stash of an additional 38,500 tablets. Also implicated in this case was a unit captain for whom an arrest warrant was issued. The captain is currently a fugitive, while the others remain in custody.

Of great concern to United States and other governments is a reward system adopted by the RTG Anti-Money Laundering Office (AMLO) in 2004. The system, under which law enforcement officers receive personal commissions as a portion of financial assets they seize that subsequently are forfeited in money laundering cases, is directly at odds with international standards. This reward system threatens the integrity of Thailand's anti-money laundering regime and undermines the rule of law by causing law enforcement priorities to be guided by personal rather than public interest. The system creates a conflict of interest by giving law enforcement officers a direct financial stake in the outcome of forfeiture cases. Since their inception, the United States and others nations have repeatedly called on the Thai government to rescind the reward program since its inception and the United States subsequently suspended technical assistance to the AMLO, as well as forfeited asset sharing based on cooperation by AMLO, until the system is eliminated.

Agreements and Treaties. Thailand is a party to the 1988 UN Drug Convention, is an active participant in the Colombo Plan, and a participant in the ASEAN and China Cooperative Operations in Response to Dangerous Drugs (ACCORD) Organization. Thailand signed the ASEAN Treaty on Mutual Legal Assistance. The Kingdom also maintains less formal agreements

such as the memorandum of intent with China that outlines an agreement to share information on seized drugs.

The United States and Thailand have an extradition treaty in force, and the Thai have always been among the top partners of the U.S. in this area. In the first three quarters of calendar year 2006, Thai authorities extradited two individuals on drug charges, plus others on non-drug charges. The United States and Thailand also have had a bi-lateral Mutual Legal Assistance Treaty in force since 1993.

Cultivation/Production. Thailand is not a significant cultivation or drug production nation, but is a net importer of drugs and also serves as a trans-shipment point.

Heroin: Thailand has for some time been a net importer of opium. The small quantities of opium that are actually produced cannot even support domestic needs in traditional opium smoking ethnic regions, much less sustain heroin production. Nevertheless, small pockets of local cultivation continue, usually by ethnic highlanders attempting to supplement their meager incomes or their own consumption needs. The Thai Office of Narcotics Control Board (ONCB) conducts year-round surveillance of upland areas of northern Thailand where new plantings are most likely to occur, usually on plots of half an acre or less. The office coordinates at least one opium eradication campaign per year that is carried out by Thai 3rd Army units that have become expert in this activity. These activities are carried out with some financial support from Embassy Bangkok's narcotics affairs section as well as with leads and intelligence developed by the DEA Bangkok Country Office.

Marijuana: Historically, marijuana has been cultivated in small fields across wide regions of northeast and south Thailand. It is still grown in rural north Thailand, largely for local consumption.

Methamphetamine: There have been no significant or unusual developments to report on methamphetamine tablet production in the region or importation into Thailand over the past year. However, the production of crystal methamphetamine or “ice” in the Shan State of Burma continues to be reported, from multiple sources.

Drug Flow/Transit. Thailand remains an important regional transit country for heroin and methamphetamine entering the international marketplace, including the United States, but in very modest quantities. Much of the heroin leaving Thailand is marketed in Taiwan, Australia or other countries. However, several crime organizations still ship small amounts of heroin to New York, New Jersey, Chicago (and other Midwestern locations), the Pacific Northwest, and California.

Burmese-based international drug trafficking organizations continue to produce hundreds of millions of kg of methamphetamine tablets (known locally as “ya ba”) each year. A substantial portion of these end up in Thailand, as “ya ba” probably remains the number one drug of choice in the Kingdom.

The increase in cocaine importation and trafficking in Thailand continued in 2006, and the DEA Bangkok field office is conducting multiple investigations into organizations that are smuggling cocaine from South America (mostly Brazil, Peru and Bolivia) for distribution in Thailand or transshipment to Taiwan, Japan and elsewhere in Asia. A recent trend is of South American males arriving in Thailand, Cambodia and Malaysia with quantities of cocaine secreted inside their bowels. These “swallowers” can ingest anywhere from 50 to 150 capsules, using prophylactic containers.

A typical seizure of this nature generally ranges from 0.5 to 1.75 kg of cocaine. There was an unexplained flurry of Peruvians arriving in 2006 after having swallowed cocaine-filled capsules.

Ecstasy trafficking continues to become somewhat more common in Thailand, though higher prices still restrict the market. Sources have expanded beyond Europe and Canada, but earlier reports of Ecstasy production in Burma have not yet been confirmed.

Thailand-based enterprises continue to market steroids and other pharmaceuticals on a worldwide scale, much of which end up in markets where such products are illegal including the U.S. and Europe. One Thai organization under investigation produces steroids in three countries, distributes to multiple companies around the world and launders much of its proceeds through Thailand.

Domestic Programs/Demand Reduction. Thailand carries out a comprehensive range of demand reduction programs that encompass combinations of educational programs for the public and treatment for users. In the past three years the Thai government has taken positive steps to substitute treatment programs for prison terms in instances where the drug user was clearly caught in possession of quantities of drugs for personal use and lacked any intent to distribute. In 2005, a demand reduction national task force was formed to promote greater emphasis on treatment versus incarceration for users, and to launch a “drug free workplace” project among other initiatives.

In a highly visible drug awareness and demand reduction program, the Thai royal family enthusiastically endorsed a nationwide program known as “To Be Number One,” that aims to broadly educate Thai society on the dangers of drug use. HRH Princess Ubolratana Rajakanya is a highly respected figure in Thai society who serves as the spokesperson for this effort, using her position to elevate and highlight the importance of drug prevention. The program has developed an image of being both worthy of respect and “fun.” This high profile education and awareness campaign is conducted in close cooperation with private organizations, NGO's and public institutions and uses radio, television and printed media to reach its audiences.

In 2006 the U.S. mission began funding a project in northern Thailand to determine the effectiveness of treatment programs by interviewing former methamphetamine users. The program is being conducted by a regional treatment hospital in Chiang Mai city and collaborates with university of Southern California researchers who receive their funded by the U.S. National Institute for Health. The results gleaned from this research should help the Thai and U.S. demand reduction community better understand how to develop future treatment programs.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. In September 2006 the U.S. and Thailand signed a Letter of Agreement (LOA) that provides \$1.65 million in narcotics cooperation assistance, including \$1.24 million for the continued operation of the International Law Enforcement Training Academy (ILEA) in Bangkok, which provides training to government officials and police officers from 20 regional countries. In addition to ILEA's regional training programs, ILEA also conducts a range of bilateral skills-building courses and seminars throughout the year that benefit Thai law enforcement and government agencies. These programs include training visits by U.S. law enforcement professionals and purchases of non-lethal equipment and other commodities to facilitate Thai government activities against illicit drug and organized crime.

Thailand is one of eleven countries worldwide in which the United States Drug Enforcement Administration (DEA) has established Sensitive Investigative Units (SIU). Thai SIU participants receive specialized training and undergo a rigorous vetting process in order to be selected for the program. This process assures a cadre of highly competent counterparts with whom DEA works closely to target major drug trafficking organizations. Five SIU teams currently operate in Thailand, all focused on the most important trafficking groups in the region. Information from SIU resources permitted the re-indictment of Burma-based trafficker in late 2004 along with members of his cohort. DEA considers the Thai SIU program to be very successful.

The Road Ahead. The United States will continue to work closely to support Thai government counternarcotics efforts to interdict illicit drugs moving towards the United States, as well as collaborate on a broad range of international crime control issues using material, legal and technical support approaches. The U.S. will continue supporting Thai/Lao maritime security by providing small river patrol boats and associated training/equipment. The U.S. will also pursue justice sector reform at the request of Thai counterpart agencies, and utilize seconded U.S. Department of Justice personnel as well as private sector organizations such as the American Bar Association to help achieve this goal. ILEA Bangkok will continue to aggressively promote regional law enforcement cooperation and the building of technical skills in order to enhance capacity to fight transnational crime and illicit drug trafficking.

The U.S. Government will continue to pressure Thailand to eliminate the reward systems in place at the Anti Money Laundering Office, and in fact the Royal Thai Government has indicated willingness to discard the program. The September 2006 coup d'etat in Bangkok slowed down progress toward this goal as senior government positions changed hands, but renewed contacts with Ministry of Justice officials by the U.S. Mission now indicate strongly that Thai authorities will rescind the program in early 2007. The U.S. is therefore hopeful that technical assistance to AMLO can be resumed soon.

V. Statistical Tables

Seizure data below was gathered from the Asia and Pacific Amphetamine-Type Information Centre, a Bangkok-based United Nations Office of drugs and crime project on data and trends with which the Thai government cooperates, and from the Office of the Narcotics

Control Board of the Royal Thai Government.

Methamphetamine tablets (“ya ba”):

2004	31.1 million tablets
2005	17.4 million tablets
2006	6.6 million tablets (as of July)

Crystal methamphetamine (“ice”):

2004	47.3 kg
2005	322.2 kg
2006	114.8 kg (as of October)

Ketamine:

2004	163.9 kg
2005	47.3 kg
2006	15.1 kg (as of July)

Opium seized, includes raw, cooked, and poppy plants:

2004	1,594.6 kg
2005	5,765.7 kg
2006	629.3 kg (as of July)

Heroin:

2004	820.2 kg
------	----------

2005 951 kg
 2006 38 kg (as of July)

Ecstasy:

2004 31.2 kg
 2005 8.4 kg
 2006 4.5 kg (as of July)

Cocaine:

2004 12.3 kg
 2005 6.7 kg
 2006 15.8 kg (as of July)

Vietnam

I. Summary

The Government of Vietnam (GVN) continued to make progress in its counternarcotics efforts during 2006. Specific actions included: sustained efforts of counternarcotics law enforcement authorities to pursue drug traffickers; increased attention to interagency coordination; continued cooperation with the United Nations Office on Drugs and Crime (UNODC); increased attention to both drug treatment and harm reduction; continued public awareness activities; and, additional bilateral cooperation on HIV/AIDS. The United States and Vietnam continued to implement training and assistance projects under the counternarcotics Letter of Agreement (LOA), and signed an amendment to the LOA in April to provide additional training assistance to the GVN. Operational cooperation with the U.S. Drug Enforcement Administration's (DEA) Hanoi Country Office (HCO) continued to lag behind expectations. In November 2006, DEA and the GVN's Ministry of Public Security (MPS) concluded a memorandum of understanding intended to facilitate operational cooperation between the two agencies on transnational counternarcotics matters. In 2005, Vietnam was removed from the list of major drug-producing countries because actual drug cultivation clearly fell below the 1,000-hectare threshold for Majors. Vietnam is a party to the 1988 UN Drug Convention.

II. Status of Country

This year, the GVN claims that there are only about 170 ha of opium under cultivation nationwide and that official UNODC statistical tables no longer list Vietnam separately in drug production analyses. Cultivation in Vietnam probably accounts for only about one percent of the total cultivation in Southeast Asia, according to law enforcement estimates. DEA has no evidence of any Vietnamese-produced narcotics reaching the United States. There appear to be small amounts of cannabis grown in remote regions of southern Vietnam.

In the past, Vietnam has not been confirmed as a source or transit country for precursors. However, one precursor of concern to DEA that has historically been produced in large quantities in Vietnam is sassafras oil. This precursor to MDMA production is no longer produced in Vietnam, but it continues to be imported into Vietnam for re-export to third countries. The potential for diversion of sassafras oil into clandestine MDMA production remains an area of concern for DEA.

The GVN and UNODC are cooperating on a project titled "Interdiction and Seizure Capacity Building with Special Emphasis on ATS and Precursors." Implementation of that project continued successfully into 2006 with the deployment of counternarcotics interagency task forces in six "hotspot" provinces. In 2006, the GVN continued to view the Golden Triangle as the source for most of the heroin supplied to Vietnam.

GVN authorities are particularly concerned about rising ATS use among urban youth. During 2006, the GVN increased the pace of enforcement and awareness programs that they hope will avoid a youth synthetic drug epidemic. Resource constraints in all aspects of narcotics programs are pervasive, and GVN counternarcotics officials note that, as a developing country, Vietnam will face such resource constraints for the foreseeable future. Drug laws remain very tough in Vietnam. For possession or trafficking of 600 grams (something more than one pound) or more of heroin, or 20 kg (44 pounds) of opium gum or cannabis resin, the death penalty is mandatory. Foreign law enforcement sources do not believe that major trafficking groups have moved into Vietnam. Relatively small groups comprised of from 5 to 15 individuals (who are often related to each other) usually do most narcotics trafficking.

III. Country Actions Against Drugs in 2006

Policy Initiatives. The structure of the GVN's counternarcotics efforts is built around the National Committee on AIDS, Drugs and Prostitution Control (NCADP), which includes 18 GVN ministries and people's organizations as members. In addition, MPS, as NCADP's standing member, has a specialized unit to combat and suppress drug crimes. During 2006, many provinces and cities implemented their own drug awareness and prevention programs, as well as demand reduction and drug treatment. The GVN continues to view drug awareness and prevention as vital tools and significant objectives in its fight against drugs, as well as integral parts of its effort to comply fully with the 1988 UN Drug Convention. The GVN has continued to rely heavily on counternarcotics propaganda, culminating in the annual drug awareness month in June 2006. Officially sponsored activities cover every aspect of society, from schools to unions to civic organizations and government offices. In 2006, the GVN extended its ongoing effort to de-stigmatize drug addicts in order to increase their odds of successful treatment, and to help control the spread of HIV/AIDS.

Law Enforcement Efforts. According to GVN statistics, during the first six months of 2006, there were 5,362 drug cases involving 8,259 traffickers. Total seizures include 104.2 kg of heroin, 47.55 kg of opium, 549.2 kg of cannabis, 35,068 ATS tablets, 1,185 ampoules of addictive pharmaceuticals, and 5,188 kg of precursor chemicals. The number of cases and traffickers represents increases of 3.7 and 6.5 percent, respectively, compared with the same period of 2005. Law enforcement authorities nationwide raided and closed-down 507 locations related to illegal drug transactions. During the first six months of 2006, courts throughout the country tried 6,205 traffickers in 4,595 cases, and handed down 46 death sentences, 73 life sentences and numerous other lengthy sentences. During the five years since the Anti-Drug Law took effect in June 2001, the country's law enforcement forces have investigated 64,660 cases involving 102,660 traffickers, representing 34 and 18 percent increases, respectively, compared with the preceding five-year period. Also during this five-year period, law enforcement officials seized 1,005.23 kg of heroin, 1,584.45 kg of opium, 6,411.35 kg of cannabis, and 737,731 ATS tablets, and raided 3,000 locations related to narcotics trafficking.

Foreign law enforcement representatives in Vietnam acknowledge that real operational cooperation on counternarcotics cases is minimal due to legal prohibitions and policy restrictions that preclude Vietnam's drug enforcement authorities from sharing information and supporting bilateral investigations with foreign police agencies. Without changes in Vietnamese law to allow the establishment of a legal and procedural basis for Vietnam's cooperation with foreign law enforcement agencies, operational "cooperation" will remain limited and largely determined on a case-by-case basis. USG law enforcement agencies hold out some hope that the development of agency-to-agency agreements will slightly improve the cooperation climate. During 2006, cooperation between GVN law enforcement authorities and DEA's HCO continued to improve marginally, although DEA agents have not been officially permitted to work with GVN counternarcotics investigators. Cooperation was limited to receiving information and investigative requests from DEA, holding occasional meetings and providing limited responses to DEA's requests. Thus far, counternarcotics police have declined to share detailed information with DEA or cooperate operationally. During 2006, DEA did receive cooperation on one money laundering operation in which MPS assisted in the receipt of alleged drug money that was remitted to Vietnam through a money laundering organization in the United States. However, despite requests made by DEA, MPS provided no investigation information on the organizations or businesses that facilitated the illegal money remittance in Vietnam.

Corruption. As a matter of GVN policy, Vietnam does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. No information specifically links any senior GVN official with engaging in, encouraging or facilitating the illicit production or distribution of

drugs or substances, or the laundering of proceeds from illegal drug transactions. Nonetheless, a certain level of corruption, both among lower-level enforcement personnel and higher-level officials, is consonant with fairly large-scale movement of narcotics into and out of Vietnam. The GVN did demonstrate willingness in 2006 to prosecute officials, although the targets were relatively low-level. In late 2005, six Hanoi policemen were arrested for their alleged role in protecting a drug trafficking ring. The director of the police department issued a decision to expel the officers from the force. In February 2006, the chief police investigator in Hanoi's Hai Ba Trung District was arrested for allegedly taking a bribe in exchange for the release of a drug trafficker. The outcome of that case is pending. Vietnam has signed, but not yet ratified, the UN Convention against Corruption. High-ranking officials within Vietnam's Ministry of Transportation implicated General Cao Ngoc Oanh, Deputy Director, MPS General Department of Police and a primary point of contact for DEA and other foreign law enforcement agencies in Vietnam, in the ongoing corruption scandal involving the embezzlement of millions of dollars. While General Oanh has yet to be charged with criminal wrongdoing as the result of his involvement in the corruption scandal, in May 2006 his sponsorship for membership in the Communist Central Party Committee was cancelled, and his possible promotion to Vice Minister of Public Security has been derailed.

Agreements/Treaties. Vietnam is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by the 1972 Protocol and the 1971 UN Convention on Psychotropic Substances. Vietnam has signed, but has not yet ratified, the UN Corruption Convention and the UN Convention against Transnational Organized Crime.

Cultivation/Production. Despite eradication efforts, the GVN reported small amounts of opium were re-planted in areas where last year's crop had been destroyed, especially Son La (26.9 ha), Dien Bien (7,905 m²), Yen Bai (137.2 ha), Lao Cai (0.2 ha) and Nghe An (5.4 ha). There were also minimal, scattered amounts re-planted in the southern provinces of Binh Thuan, Binh Phuoc, Dak Lak, Khanh Hoa, Tay Ninh and Kien Giang. Total poppy cultivation in 2006 showed a significant increase over the previous year, 170.8 ha versus 19 ha, most likely due to more accurate reporting in 2006. The total number of hectares under opium poppy cultivation remains sharply reduced from an estimated 12,900 ha in 1993, when the GVN began opium poppy eradication. There have been recent confirmed reports that ATS and heroin have been produced in Vietnam. GVN law enforcement forces have seized some ATS-related equipment (i.e., pill presses). As part of its efforts to comply fully with the 1988 UN Drug Convention, the GVN continued in 2006 to eradicate poppies when found and to implement crop substitution.

Drug Flow/Transit. While law enforcement sources and the UNODC believe that significant amounts of drugs are transiting Vietnam, DEA has not yet identified a case of heroin entering the United States directly from Vietnam. More commonly, drugs, especially heroin and opium, enter Vietnam from the Golden Triangle via Laos and Cambodia by land, sea and air, making their way to Hanoi or Ho Chi Minh City, either for local consumption or transshipment to other countries such as Australia, Japan, China, Taiwan and Malaysia. The ATS flow into the country during 2006 continued to be serious and not limited to border areas. ATS can now be found throughout the country, especially in places frequented by young people. ATS such as amphetamine, diazepam, Ecstasy, ketamine and especially "ice" methamphetamine (crystal methamphetamine) continue to worry the government. Such drugs are most popular in Hanoi, Ho Chi Minh City and other major cities. During 2006, numerous cases involving ATS trafficking and consumption were reported in the media.

Domestic Programs/Demand Reduction. According to MOLISA (Ministry of Labor and Social Affairs), the drug addiction recidivism rate after treatment is still high, between 70 and 80 percent. By the end of June, there were 159,305 officially registered drug users nationwide, with 84 provincial-level treatment centers providing treatment to between 55,000 and 60,000 drug addicts annually. The number of "unofficial" (i.e., not acknowledged officially) drug users is at least 1.5

times higher. Heroin accounts for 83 percent of drug use, followed by opium (13.9 percent), cannabis (one percent), ATS (1.5 percent) and other types of drugs (0.6 percent). MOLISA reports 80 percent of drug addicts are intravenous users.

Ministries distributed hundreds of thousands of antidrug leaflets and videos, and organized antidrug painting contests for children. The Ministry of Education and Training (MOET) carries out awareness activities in schools. Counternarcotics material is available in all schools and MOET sponsors various workshops and campaigns at all school levels. The UNODC assesses GVN drug awareness efforts favorably, but considers these efforts to have had minimal impact on the existing addict and HIV/AIDS population. Vietnam strives to integrate addiction treatment and vocational training to facilitate the rehabilitation of drug addicts. These efforts include tax and other economic incentives for businesses that hire recovered addicts. Despite these efforts, only a small percentage of recovered addicts find regular employment.

HIV/AIDS is a serious and growing problem in Vietnam. The epidemic is closely related to intravenous drug use and commercial sex work. At least 60 percent of known HIV cases are IDUs. A 2004 national sentinel surveillance indicated a 29 percent HIV prevalence among IDUs. However, in some provinces, the HIV prevalence is reported at higher than 70 percent among IDUs. The Vietnamese National Strategy for HIV Prevention and Control, launched in March 2004, presents a comprehensive response to the HIV, including condom promotion, clean needle and syringe programs, voluntary counseling and testing and HIV/AIDS treatment and care. The GVN reported a total of 112,880 HIV cases in the country. Out of that number, 19,261 are AIDS patients. The actual figure is believed to be three times higher. In June 2004, Vietnam was designated the 15th focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). USG FY06 funding, about \$34 million, is distributed through key PEPFAR agencies such as USAID, HHS/CDC, and the U.S. Department of Defense. Through PEPFAR, the USG supports the Vietnam National HIV/AIDS Strategy of Prevention, Care and Treatment for People Living with HIV/AIDS (PLWHA). The majority of USG support targets six current focus provinces (Hanoi, Hai Phong, Quang Ninh, Ho Chi Minh City, Can Tho and An Giang) where the epidemic is most severe; however, PEPFAR also supports HIV counseling and testing and community outreach for drug users and sex workers in nearly 40 provinces. In 2005 and 2006, USG-supported programs have trained nearly 30 substance abuse counselors who work in Hai Phong and Ho Chi Minh City (HCMC). In cooperation with the HCMC, the PEPFAR team is piloting a comprehensive program to assist former rehabilitation center residents prevent relapse, stabilize their lives and access appropriate care for HIV disease. As this program shows success, it will be expanded to assist drug users in provinces beyond HCMC.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. In April 2006, an amendment to the Vietnam-U.S. Narcotics Assistance LOA was signed to provide \$500,000 in additional training assistance to Vietnam. In June, USG trainers presented counternarcotics training in Hanoi under the LOA, using prior year funding. In September, a GVN drug law enforcement delegation was sent to the U.S. for training under the amended LOA. This will be followed by additional training in Ho Chi Minh City in December. Between January and October 2006, using State Department law enforcement assistance, 51 Vietnamese law enforcement officers attended the International Law Enforcement Academy (ILEA) in Bangkok. The USG also contributed to counternarcotics efforts through the UNODC. An ongoing example of the USG's contribution through UNODC is the G55 project titled "Interdiction and Seizure Capacity Building with Special Emphasis on ATS and Precursors," which established six Vietnamese interagency task forces at key border "hotspots" around the country.

The Road Ahead. The GVN is acutely aware of the threat of drugs and Vietnam's increasing domestic drug problem. However, there is continued suspicion of foreign law enforcement

assistance and/or intervention, especially from the United States, in the counternarcotics arena. During 2006, as in previous years, the GVN made progress with ongoing and new initiatives aimed at the law enforcement and social problems that stem from the illegal drug trade. Notwithstanding a lack of meaningful operational cooperation with DEA, the GVN continued to show a willingness to take unilateral action against drugs and drug trafficking. Vietnam still faces many internal problems that make fighting drugs a challenge. With the amendment to the counternarcotics LOA, the USG can look forward to continued cooperation in the area of assistance to Vietnamese law enforcement agencies. Operational cooperation, however, remains on hold pending the development of a legal framework in Vietnam to allow foreign law enforcement officers to carry out operations on Vietnamese soil, or the signing of a bilateral agreement between the United States and Vietnam that would create a mechanism for the joint investigation and development of drug cases. The November 2006 memorandum of understanding between DEA and the GVN's Ministry of Public Security (MPS) is a partial step in this direction, but is non-binding in character and directly addresses law enforcement cooperation only at the central government agency level, rather than the operational or investigative level.

